Forestry

Maybe a case of not seeing the trees for the wood

by Keith Johnston

"WHERE is New Zealand's dynamic comparative advantage as a wood producer?" Where, indeed?

Notwithstanding the leaden phrasing, that question stood out from the three days of talking and more than 60 papers that was the 1981 New Zealand Forestry Conference.

Two weeks later the question is probably still rebounding dully off the marble columns of the conference venue, the banquet hall of the Beehive.

Why such a significant matter was so coyly dealt with remains a major riddle arising from the March session of the conference.

The role of this month's first session was to identify issues and questions so working parties could discuss these and make policy recommendations for the September session.

In the haste to shunt issues off to the working parties the opportunity to debate and clarify the ground was lost – or avoided.

Some key protagonists were unavailable, and others missing from important platforms.

The issues are significant for New Zealand's economic development. Choices made about how trees are grown (whether the emphasis is put on producing as much high-quality timber as possible or whether more emphasis is put on growing trees to produce maximum wood volume for pulp and paper) determine processing options and have major effects on foreign exchange earnings, the export efficiency of the forestry sector, capital requirements, demands for roading, ports and energy, employment opportunities, and the environment.

Decisions made on growing and processing in turn will be governed by our understanding of future overseas markets.

Harry Bunn, of the Forest Research Institute, pointed out to the conference that decisions made about stocking, pruning and thinning of forest stands are "in effect an assessment of the future market requirements."

Pruning offers the means for eliminating knot defects in sawn timber. Eliminate the knots and radiata pine is lifted from one of the poorest grades of softwood timber to among the highest grades. Large conifer logs containing defect-free timber are a very rapidly diminishing world resource.

Harry Bunn says "One sustainable competitive advantage we have is that we can grow that class of log for very little more than the cost of growing smaller knotty logs."

This summary echoes the wood-growing priorities suggested by the Development Finance Corporation in its *Forest Industry Study*, published a year ago.

The priorities also reflect the current approach of the Forest Service. Is it because pre- have been set that forest est Service director and conference Priestley Thomson, that the clearwood/ debate was based on it?

What Thomson seems saying is that a clear regime produces a lot sidues, which could be and that a pulpwood will also saw the best

Net foreign exchange ings ranged from less than million for sawlogs and $1700 million for production, with a corresponding range in requirements.

The regime which sised the production of wood and veneers gr largest increase in employ with the median require for capital and foreign change earnings.

A background paper conference summarised sponses to the DFC stu saw millers and the major and paper companies h particularly at the DFC question that the Forest take the initiative in research and product ment.

Dr Winkie Sutton, the Radiata Task Force have been there, to pre possibilities for solid and to be grilled on the world competition tropical hardwoods and stituted board products.

His presence may sharpened also the dis on the role of pulp and The pulp and paper com have attacked the DFC clusion that future pulp paper industries will be profitable, without Gov ment subsidies.

They say it was not when world prices were than $100 a tonne less than are today. This conclusion no longer be justified" b was the day of the Tex renegotiation and timber Ryan of Tasman, and "th cyclical industry and wish be allowed to enjoy our l without fear that Governm supportive role will abrogated as a political pendulum."

Speakers from the pa paper industry stressed sawn timber and pulp not alternatives; both to happen.

On the positive side was signs of movement debate between farmers foresters about where the the next million hectares of forest (a doubling of our forest estate over the next years). In opening the co rence, Forests Minister Young called on more farm to become foresters. "Lar scale plantings can't go on ever," he said.

He foreshadowed Government initiatives to courage farmers to plant including a proposal that putting to Government the tax credit system be extended individuals.

Probably politicians to see the Forest Service tructured, the companies want the State to "supply marketing roles," and the payer is left wondering how New Zealand ever did get money's worth from 20 years subsidy to Tasman.

Keith Johnston is a consultant for the Coalition for Government.

Say hello to our 747s. First choice with experienced international travellers.



The moment anyone says "hello" to Pan Am, they experience a world that no other airline offers.

The 747 is the most reliable aircraft available, and we have the largest fleet of 747's and 747SP's of any airline.

From New Zealand to the U.S.A., only Pan Am offers the spacious luxury of First Class Sleeperette® Service and the special recognition of Clipper® Class.

Even our vacation and low-fare passengers experience acclaimed comfort and service that begins the moment they relax in our Full Service Economy Section.

And, to top it all only Pan Am offers an all 747 service to both the U.S.A. and U.K./Europe.

So Say Hello to Pan Am.

We fly the world the way the world wants to fly.



PAN AM.

Say hello to Pan Am.

Volume 12, No. 11 (Issue 424) March 30, 1981 ISSN-0110-6813

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

Incorporating Admark

80 cents

NATIONAL BUSINESS REVIEW

Inside

THE WEEK
Property Securities board at odds over City Realties merger — Page 2.
Soviets undercut New Zealand fishermen in Egyptian sales deal with our own fish — Page 3.
VanMoeseke's "50 cents in the dollar" estimate of second smelter's return on investment — Page 5.

COMMENT
Editorial, Without word of a lie, Brocke's view — Page 6.
What they don't teach in our schools — Page 7
Letters to the editor — Page 8.

POLITICS
Change of Government attitude on farming prospects — Page 9.

ECONOMICS
Stronger growth, less inflation but unemployment unchanged — Page 11.

LAW
What April showers upon us, in terms of new legislation — Page 12

FINANCE



The Hellaby takeover bid — Page 13.
The business week — Page 14.

STOCK EXCHANGE
A review of the weekly share-market turnover — Page 15.

FRANCHISING
The hangover cure that causes headaches — Page 16.

BUSINESS
"Old boys network" gives horticultural venture cash injection — Page 17.
Analysing annual accounts: Yates Corporation — Page 18.
Brokerage charges cause ire in Australia, but not so here — Page 19.

ADMARK
Accountability in advertising — Page 21.

OVERSEAS TRADE
What it takes to sell to Japan — Page 22.

LOCAL GOVERNMENT
Nelson opts out of forestry — Page 24.

INDUSTRIAL RELATIONS
The visiting union leader the FOL didn't welcome — Page 25.

TRANSPORT
Farmers and rail service cuts — Page 26.

TAXATION
A way of avoiding the IR man's attentions — Page 27.

AGRICULTURE
Meat Board takes a marketing initiative — Page 28.

'Unfounded hopes' push Winstone share price up

by Rae Mazengarb

SPECULATIVE buyers who pushed up the price of Winstone's shares last week seem to have been acting on unfounded hopes.

The shares suddenly jumped to 75 cents last Monday after holding steady at 67 cents for some weeks.

This is the second time the market has reacted suddenly, causing large movements in the Winstone share price.

When news of Winstone's financial difficulties with its Karioi Mill broke in February, the price plunged to 50 cents.

An Auckland broking source told *NBR* there had been talk of New Zealand Forest Products trying to arrange money offshore to buy Winstone's Karioi Pulp Mill.

Talking of the share price, he said: "The movement of the share price the other day, and the types of clients buying in, would lead me to believe they are 'in the know'."

Both Winstones and NZFP told *NBR* the reports were quite unfounded.

Winstone director J B Ede said he had no knowledge of anything going on which could have led to these suggestions.

He said he was interested in possible reasons behind the jump in share price, but had nothing further to say on the Karioi situation.

NZFP managing director Doug Walker said his company had been collaborating with Winstones in endeavours to find markets for the Karioi pulp, both locally and overseas, but his company was certainly not trying to arrange money to buy the mill.

Walker said the two companies had not discussed the possibility of a takeover, merger, nor even a joint arrangement over the mill.

Rather, NZFP was looking abroad for an arrangement to sell the mill's pulp out-put similar to Carter Holt's arrangement with Japan's Oji company.

The mill was operating at around 40 per cent, or less, capacity, Walker said. But its ability to operate at a higher level depended on the company's ability to market the pulp.

Asked if the trials conducted on the pulp by NZFP showed it could be used here for paper-making, he said his company was satisfied it could use thermomechanical pulp for some papers, but that the costs were higher than the alternative, kraft pulp.

Walker said he was sure the mill could break even if it secured the markets and if the mill operated on a continuing basis, 24 hours a day, every day of the year to achieve its capacity of around 75,000 tonnes.

It had also to ensure quality of product, something the mill has had difficulty achieving and which led to Winstone's Korean partners backing out of the deal to take 70 per cent of the product.

Winstones also had difficulty securing wood for the mill, and although Walker said it was available from the State forests and woodchips from saw mills, he conceded the transport component made supplies very expensive.

It was possible that NZFP could supply some wood to the mill.

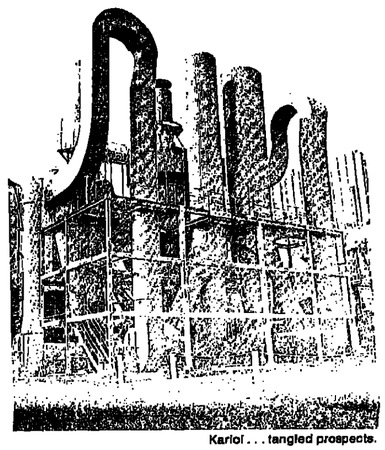
The marketing question has to be resolved. This is one of the problems Treasury officials are currently working on in their efforts to pursue prospects for the mill's future.

Thermomechanical pulp is a problem to market as there is little world trade in the commodity. Usually it is made and used on one location.

The major market for mechanical pulp, is Japan, but that market is currently depressed.

Already, Carter Holt supplies more than 200 000 tonnes to Japan, but with a total market of 400,000 tonnes, there is

Continued on Page 14.



Karioi . . . tangled prospects.

Hellaby claims 50 per cent backing

by Klaus Sorensen

DIRECTORS of the Auckland meat processor R and W. Hellaby are understood to have the support of as much as 50 per cent of the company's capital in their bid to fend off the unwanted Allied Farmers Ltd takeover.

But despite this, Hellaby's survival as a public company will depend as much on managing-director Alan Hellaby's business connections as anything else.

A source close to the company told *NBR* last week they understood that Hellaby is "pretty confident he can call on 50 per cent of the shares for support".

But it seems he will need even more support than that, because the Allied bid seeks a minimum of 40 per cent of the 110-year-old Auckland meat processor's capital.

One of Hellaby's main strengths will be his chairmanship of the newly merged insurance giant, New Zealand South British Group Ltd. This company controls 11.2 per cent of the Hellaby capital. Along with Hellaby's family shareholdings, which amount to around 10 per cent, it could provide him with the backing to convince other shareholders not to accept the Allied bid.

Hellaby also has a big reputation in Auckland because of the Export Year campaign. But his chairmanship of Kings College board of governors (his old school) may prove just as influential.

NBR's sources claimed earlier last week that in spite of the apparently solid backing Hellaby had received from shareholders and farmer clients, he was still not particularly confident of success against Allied.

But after the Hellaby board's "unanimous rejection" of the Allied offer on Wednesday afternoon, Hellaby was reportedly "a little more confident".

BUSINESS MANAGEMENT GAME 1981

The **ICL BUSINESS MANAGEMENT GAME** packs years of decision-making experience into a few months.

If you have an executive team in you business or organisation who think they can or want to learn how to handle fierce competition and decision-making under pressure then ENTER YOUR TEAM IN THE 1981 ICL BUSINESS MANAGEMENT GAME. The BMG offers participants:

- ★ Training in management skills
- ★ Opportunity to experience tough business competition
- ★ Training in decision-making
- ★ Cash prizes totalling $3,500 for the winning teams
- ★ Intense mental challenge and enjoyment.

ICL International Computers (New Zealand) Limited

POST COUPON TODAY— ENTRIES CLOSE MARCH 31 1981

BMG

The Administrator
ICL Business Management Game
PO Box 10-203
Wellington

Co Sponsored by "NATIONAL BUSINESS REVIEW"
Please send me full details and an entry form for the 1981
ICL BUSINESS MANAGEMENT GAME

NAME.....
COMPANY.....
ADDRESS.....

W&M 31435

The week

Propsec board at odds over merger deal

by Klaus Sorensen

PROPERTY Securities Ltd board members are understood to have disagreed over the proposal to merge with fellow property company City Realties Ltd.

The five directors were apparently divided over the merits of merging with the Brierley affiliate though *NBR* understands the company's deputy chairman, National Party president George Chapman, was one of the main proponents of the merger plan.

But it seems that the prospect of an association with the entrepreneurial Brierley group was too much for more conservative elements in the company.

Property Securities Ltd chairman Frank Renouf last week denied rumours that the merger talks were abandoned amid a split in his company's board of directors. That suggestion was "absolutely incorrect," he said.

NBR sources claim the merger proposal fell through, even though both Chapman and to a lesser extent Renouf – the founder of the company – saw the proposal as a way of injecting a little life into their low-profile company.

It is rumoured that while Chapman and Renouf were amenable to a merger, the three other board members and general manager P R Surridge were less impressed.

When *NBR* approached Chapman, he too denied there had been a split decision. "The full board of Property Securities were in agreement that the talks with City Realties should be discontinued", he said.

When *NBR* suggested that some members of the Propsec board were disappointed that the merger did not go ahead, Chapman replied, "that would be a fair expression of opinion".

City Realties was originally a clothing and women's undergarment manufacturer. Brierley Investments Ltd took it over, sold the assets of Woolcraft Klipper (as it was then called), and converted the listed shell into City Realties, the property company.

Property Securities Ltd was formed by Renouf in 1964, four years after he formed the merchant bank New Zealand United Corporation, which now holds 21 per cent of the Property Securities capital.

Brierley Investments and National Insurance each hold 25 per cent of City Realties, but the connections between the two Wellington property companies go further than that.

The National representative on the City Realties board is Doug St John, a partner in Renouf's Wellington sharebroking firm.

Another Renouf partner, Rex Pearson, is a director of Property Securities.

National is also the third largest shareholder in Propsecs with 6 per cent.

The reason given by Property Securities directors for the failure of the merger talks was that the two had different concepts of property investment.

City Realties chairman Selwyn Cushing was not available at his Hastings sharebroking firm last week when *NBR* tried to contact him, but it is understood that the diversity of the two companies was held by City Realties to be one of the main advantages of a merger.

City Realties is strong on owned properties and all its properties contribute to company revenue.



George Chapman ... for merger.

Property Securities, on the other hand, has a sizeable portfolio of non-revenue producing residential land amounting to around $5 million which is held for sale.

Propsecs is also strong on head leasing, but income from this activity is all taxable – even rental reviews serve only to produce more taxable income.

City Realties has vigorously concentrated on generating capital gains, and paying tax free dividends to shareholders. The company also derives strong benefits from its association with Brierley and – through City Realties deputy chairman Bruce Judge – with the Christchurch investor H W Smith Ltd.

Along with the National insurance tie-up, City Realties receives a number of "special" property investment situations through these links.

While some sources claim no final terms were decided on for a merger, Renouf told *NBR* last week that "basically the price being talked about was more than we cared to agree to".

Asked who had made the initial merger suggestion Renouf said the thought of a company with a "total involvement" in property had first occurred to him when he attended a conference in the Middle East.

The possibility of bringing Middle East capital into the local property market had come up "and I thought why not have a bigger group".

When the merger suggestion with City Realties came about, "it suddenly became a possibility", he said.

He said he had not been greatly involved in the merger talks. Chapman and Pearson had essentially handled them, he said. But in the end the proposal just "didn't quite mesh with our acceptability".

Renouf emphasised there was "no question" of a split decision – "I don't know where that comes from", he said.

Surridge confirmed that Chapman had handled the talks in his capacity as chairman of the company's executive board, but said he was not aware of a split decision. He felt that the talks had simply failed when it was found "the two just didn't mix".

He said he could not answer other questions – such as who initiated the talks – without talking to his directors, and suggested he could produce a written reply for *NBR*.

Surridge later told *NBR* a statement would not now be made. "We've said all there is to be said. To say any more would not be in the interests of our stockholders".



NOW DC10 DIRECT

From Friday April 3rd the fastest way to Japan becomes even more pleasurable.

Now Air New Zealand fly you direct, Auckland/Tokyo, in DC10 comfort all the way Any Friday.

That Friday departure is a real bonus. It gives businessmen time to find their feet before starting work. And it's ideal for holidaymakers off to discover a new world of amazing technology; an old world of temples, festivals and traditions; a world so different you simply have to experience it.

Dep (AKL) Arr (TYO)	Fri. 9.30 a.m. Fri. 7.30 p.m.
Dep (TYO) Arr (AKL)	Sat. 8.55 p.m. Sun. 12.30 p.m.

Business or pleasure, it's all so easy with Air New Zealand. Talk to your TAANZ Bonded Travel Agent or Air New Zealand now. And pick the most exciting Friday you've ever flown.

Fly the flag
The Pacific's Number One
air new zealand



DWNB 84189

The week in brief

THE Federation of Labour made its case for a 11 per cent general wage order to the Arbitration Court.

A JURY acquitted property developer Jim Fitzgerald, son-in-law of Agriculture Minister Duncan MacIntyre, of a charge of making a false declaration when applying for a Marginal Lands Board loan.

ITS back to the boon docks to regroup for the American dairy lobby, routed by the United States Senate which rejected a motion to halve casein imports, including New Zealand's $67 million trade.

THE Raglan golf course will be returned to its Maori owners when the Government completes the purchase of an alternative nearby site for the Raglan Golf Club.

CABINET rejected the Rugby Union's application for a $10,000 recreation and sport coaching grant "because it would undoubtedly be seen as Government support" for the Springbok tour.

WEIGHT-based take-off fees for international flights climbed 62 per cent. Christchurch gets a runway extension to end payload restrictions on DC10s and Boeing 747s, Wellington and Auckland airport authorities get a share of the increased income.

AIR New Zealand's domestic fare increase of 11 per cent will take effect from Wednesday, but losses of $15 million are still expected on internal routes. International fares on non-Pacific routes rose 13 per cent last week.

THE media, including *NBR*'s Colin James, is encountering a rough prime ministerial message as Rob Muldoon stores for news, interviews and comments to his liking. Broadcasting chairman Ian Cross told his staff to "grin and bear it" as Muldoon unleashed his second criticism of a current affairs programme in as many weeks.

The week ahead

TWO-day workshop on Financial Analysis for Decision-making. Wellington MONDAY, and TUESDAY; Christchurch THURSDAY and FRIDAY.

SATURDAY: Fashion Parade, Logan Park, Auckland.

The week

Soviet fish sales threaten to snag Kiwi hopes

by Allan Parker

A "COD war" is threatening between New Zealand and the Soviet Union over alleged moves by the Russians to undercut local sales to the Middle East with fish caught by their trawlers in our waters.

A multi-million-dollar-a-year market prospect in Egypt, which New Zealand is anxious to penetrate for the first time, may be jeopardised by the Russian sales initiative.

Just weeks after negotiations began, between Egyptian and New Zealand officials, local fishing industry representatives have learnt that a Swedish company known to have sold fish previously on behalf of the Russians had offered New Zealand fish 30 per cent below our price to the Egyptians.

Angry industry representatives have informed the Government of the offer.

Industry sources fear the Russians are using joint-venture agreements here to tap a market identified and pursued by New Zealand interests in an effort to earn foreign exchange.

The price offered to the Egyptians could not possibly be economic, they insist.

The claim follows a series of contacts between Egyptian and New Zealand officials, culminating in a trip here in February by Egyptian Minister of Supply and Home Trade Ahmed Nouh.

The delegation showed a keen interest in buying thousands of tonnes of our less-favoured but abundant species, such as kahawai, barracouda and mackerel.

The Fishing Industry Board suggested two New Zealand companies, R C Macdonald and Christchurch-based Mair and Co, to co-ordinate an approach to the Egyptians for the fish supply.

During negotiations over a 2000-tonne trial shipment, the Egyptians indicated they could buy the fish at a cheaper price than New Zealand was offering.

Sources in Europe later suggested that a Swedish company, Joint Trawlers Ltd, was offering to sell New Zealand fish to Egypt 30 per cent cheaper than this country could offer.

Joint Trawlers Ltd is known in the industry to arrange bulk package fish deals on behalf of the Soviet fishing fleet.

The offer to Egypt was to supply the fish through Singapore, where Russia operates a cool store-processing house in a joint venture with Singapore interests. The joint venture trades under the name Marisco.

The Swedish offer, according to an industry source close to the negotiations, equated to 18 cents a kilo FOB New Zealand.

That price – $180 a tonne – was summed up by our source: "You can't even post a letter for that"

Ironically, the New Zealand Government has removed a $1 million price support scheme for the local industry for mackerel and barracouda.

The scheme was introduced two years ago in recognition that prices obtainable did not reflect the prices of catching the species, particularly for South Island operators.

Industry sources say the scheme helped New Zealand to make a "quite substantial" increase in both the catch and sales of these species, particularly to West Africa where Russian fishing interests are also active.

The industry has an on-going request to the Government to restore the scheme.

This new development may prompt a renewed effort to have the scheme reinstated to enable the industry to compete with the Soviets.

But even with such support, it is doubtful that New Zealand could compete with the Russians. The industry maintains that the Russians are interested only in earning foreign currency and will continue to offer lower prices than New Zealand.

There appears to be a Soviet commitment to the Egyptian deal. A recent comment by a Russian Embassy official at a Wellington diplomatic function appears to support this.

The official is claimed to have told a New Zealand guest: "If New Zealand will not sell fish to the Middle East then we will."

Asked if he meant Europe, he replied: "Yes."

IDC wins FOL and manufacturers

by Allan Parker

THE country's manufacturers and trade unions – superficially strange bedfellows – went to war together last week against the Industries Development Commission and its economic philosophy.

And they ended up being enticed into the commission's own bed.

Federation of Labour president Jim Knox and Manufacturers Federation director-general Ian Douglas led the battle against the commission's view that its industry studies should favour market forces, rather than regulatory controls.

The unions described that attitude as "unrealistic". The industrialists threatened a severing of diplomatic relations unless "the theorising" by the commission was withdrawn.

But by the end of the two-day debate in the commission's Wellington hearing chamber, a well-orchestrated seduction campaign by the commissioners had wooed both the manufacturers and the unionists into healing the lovers' tiff by broadly agreeing with the IDC approach.

At issue was the commission's publication in its draft report into the plastics industry of the general economic approach adopted by the IDC in formulating its development plans.

The cause of the falling out was the commission's statement in its "market forces" essay that "the only alternative to a market economy is a command economy where some authority has to decide who should produce what, how much and what reward they shall receive for their production".

Both the industrialists and their employees rejected that argument, insisting instead that the economy must be a mix of command and market. (The IDC, further into its essay, noted: "No society operates entirely on the command principle and none operates entirely through voluntary co-operation – all societies have some command elements".)

The commission would probably regret the misunderstanding its "only alternative" statement caused and throughout the hearing commission members were at pains to illustrate its belief that the New Zealand economy must be mixed.

Future IDC reports can be expected to reflect its more moderate, less "black-and-white" attitude.

Certainly, the compromise hewn by the commission modified both federations and by the end of the hearing all parties agreed that their relationship could be much easier.

'Incredible' savings on travel fares

by Gordon McLauchlan

UNITED Travel agents offered "incredible savings" on travel to Asia and America in a lift-out supplement to the *New Zealand Herald* last Thursday but this "incredible" may turn out to be more than the usual commercial hyperbole.

"Just check these fares" exhorted the advertisement.

Not NBR did – with the Ministry of Transport.

The fares were literally unbelievable because fare rises the previous Monday had probably made them all illegal, according to a ministry spokesman. Perhaps the supplement had been printed before Monday.

But worse than that, United return fares between Auckland and Los Angeles and Auckland and Honolulu were possibly illegal before the last fare rise.

Or, as the Ministry of Transport's John Kennedy-Good put it: "We would have to investigate it further but on the face of it these fares would appear to be illegal" even at the old rate.

It is illegal according to the Air Tariff Regulations to advertise as well as sell an unauthorised fare.

A few weeks ago, the three partners involved in this supplement – United Travel, the *New Zealand Herald* and Radio Pacific – were all involved in a similar supplement in which the fares were pronounced illegal by the ministry.

No prosecution would result, the ministry said then, but a stern warning would be issued.

Asked at the end of last week what action would be taken on the latest supplement, Kennedy-Good said: "So far as we are concerned we are the enforcing agency and we will ensure that the law is upheld.

"If we have got sufficient evidence we will prosecute."

Due to a crazy situation Honeywell now makes 93 word processors

You'd think that any market having ninety-two competitive suppliers could do without a ninety-third.

Word Processing however has proven the exception.

Prior to Honeywell's recent entry into Word Processing only a handful of suppliers were even coming close to meeting the demands of companies with large, complex administrative structures.

It was a crazy situation. And, of course very frustrating for firms wishing to install decent equipment.

Honeywell has produced a state-of-the-art Word Processing System called WP 6.

It provides outstanding flexibility, ease of operation and cost performance. And copes readily with escalating workloads.

Honeywell realized that their WP 6 System needed to go far beyond the basics of entering, abbreviating, formatting and revising text.

It needed to be sophisticated enough to interface with data processing systems, cater for over one hundred visual display work stations, link up to photocopying equipment and be used for both electronic mail and diary systems.

WP 6 is a superbly designed, carefully-thought-out communication tool. And very modestly priced.

For some it may be a little too adventurous. But for people of vision, Honeywell's WP 6 Word Processing System will be an investment today for tomorrow.

For further details, or to arrange a demonstration, fill in the coupon below or contact the Honeywell office in your state.

HO417m

Dear Honeywell,
I take my hat off to anyone who comes in ninety-third and ends up market leader. But I would like to see
☐ further details on WP 6; ☐ a demonstration of WP 6. (Please tick).

Name _____ Position _____
Company _____
Address _____
_____ Postcode _____
Phone _____

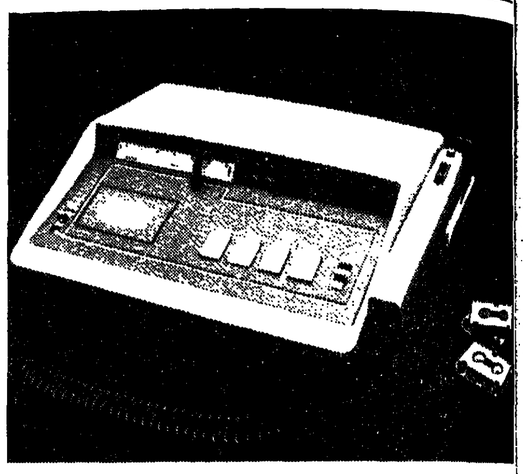
Honeywell

Auckland: P.O. Box 2741. Telephone 778633.
Wellington: P.O. Box 27075. Telephone 843606.



One for the Road

Lanier's Microcassette portable lets you fly through paperwork when you're travelling.



One for the Office

Now they've got a small microcassette desktop when you're not.

(Identical Mini-Cassette version available and choice of portables)

Lanier announces a great new way to stay on top of paperwork! The OMNI desktop microcassette dictating machine - remarkably small... easy fingertip control... exceptional sound quality

Talking is so much faster than writing. So when you dictate, you cut down on the time you spend on paperwork. All you do is pop in a microcassette, pick up the mike and talk. And that leaves you more time for the things that are really important to your career.

Lanier's New OMNI is designed for today's microcassettes (the same cassettes as the pocket portables use). So OMNI is much smaller than standard size desktops. In fact, it takes up less space on your desk than a standard piece of typing paper! And it's not only smaller, it's easier — lets you get more done in less time.

One versatile machine that does two jobs. Lanier's OMNI is a transcriber as well as a dictating machine. It converts instantly — simply, by swapping a foot control and headset for the microphone.

One for the office. One for the road. Lanier's OMNI and Vest Pocket Secretary. Together they'll help you get more accomplished in the office and when you're travelling. In both the size is small, the price low and the sound quality high.

So move up to microcassette desktop dictation with Lanier. To learn more about them, mail the coupon or call us at the numbers on the left. LA007

Telephone:

Whangarei	84-979
Hamilton	82-105
Tauranga	85-607
Rotorua	88-164
Hastings	85-161
Napier	57-077
Palmerston Nth	81-036
Wanganui	57-534
New Plymouth	83-667
Masterton	81-620
Nelson	87-169
Timaru	81-189
Dunedin	770-126
Invercargill	88-796

LANIER®

Kerridge Odeon Dictation Systems
Auckland 246, Queen St.
796-780
Wellington, Embassy Theatre Bldg.
850-449
Christchurch, 154 Bealey Ave.
60-222

Name _____
Company _____
Address _____

Phone _____

The week

New smelter's return: 50c for every $1 spent?

ON the basis of the Government's own published figures, the second aluminium smelter would return only 50 cents in net foreign exchange earnings for every dollar spent on national resources.

That is the result of calculations in *The Second Smelter Report* by Otago University economist Professor Paul van Moeseke, released for publication on Saturday.

The new report avoids the use of figures open to controversy, uses extensive international data for capital accounts, assumes Trade and Industry Department figures for imported materials and energy consumed, and takes advantage of information from the consortium's proposal on such things as Caster II and other costs.

Van Moeseke avoids making any conclusions. But the overall conclusion is implicit: that the most favourable light possible can still not show the project as being in the national economic interest.

Using the Government's base case, and taking account of minor processing of ingots into slabs and billets and Caster II, van Moeseke shows the project will result in net foreign exchange earnings in mid-1980 terms of $83 million.

When this is offset by the base case for internal costs, the export efficiency is 50 per cent, which means $1 spent earns 50 cents overseas.

On the basis of the early 1981 London Metals Exchange price for aluminium and adjusting for import costs, the project would return net foreign exchange earnings less than $25 million.

While this price may be a sub-trend it demonstrates the vulnerability of foreign exchange (and also taxation) earnings to the price of aluminium.

Tax losses, environmental costs, and risk accounting are explicitly left out of the calculations.

In terms of the cost per job created, the capital cost of the project means that each direct job will cost nearly $1 million to create, assuming the consortium's estimate of the number of jobs created is correct.

This is 27 times the average cost per job in a study of 19 major British industries.

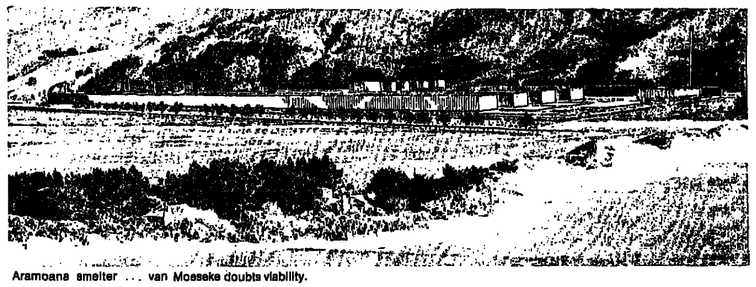
In terms of gross sales, per job the smelter figure is 13 times that of the particularly capital-intensive United States aerospace industry.

Van Moeseke circumvents the controversial aspects of electricity pricing by dividing it into power, which is the cost of building dams, and energy, which is the cost of running dams and transmitting electricity to the smelter.

There is no substantial argument over the cost of power. At a 5 per cent discount rate for the Upper Clutha, it is 1.54 cents a unit.

But there is a great deal of argument over the cost of energy for the smelter. Van Moeseke avoids this by assuming energy is free (that is, it costs nothing to generate and transmit the electricity to the smelter).

The calculations based on Trade and Industries' base case produces some interesting results and unmistakable conclusions.



Aramoana smelter ... van Moeseke doubts viability.

Van Moeseke shows the consortium can afford only 0.9 to 0.95 cents a unit (all figures are in mid-1980 terms) and remain profitable in New Zealand.

Then he shows the smelter will be charged 1.31 to 1.5 cents a unit when rebates are deducted.

Thus the smelter appears to run at a loss, although this is made up by the provision of a free infrastructure (wharfage, roading, reticulation etc) and depreciation allowances, all indirect subsidies by the taxpayer.

In addition, the electricity is sold cheaply, since the cost of power alone is more than is charged.

Van Moeseke shows that over the 42½ years of the power contract, a constant real price of 3.7c a unit would have to be charged for power alone to recoup the real cost.

The report was completed at a public forum colloquium following a seminar at Waikato University late last year.

Chathams eyed for mystery prospecting venture

by Ann Taylor

THE Chatham Islands seem set to stage the next act in the saga of the Consolidated Silver Mining Company.

The company, which has changed its name to Consolidated Minerals, has posted its notice of intent on the Chathams, but, as yet, has made no application for a prospecting licence.

The company is probably interested in montan wax — used in polishes and candles — which can be obtained from lignite and peat present on the island.

According to the Mines Division of the Ministry of Energy, there have been no applications, past or present, to mine on the Chathams.

But Nigel Seabold, a lawyer working in Consolidated chairman Warwick White's Auckland law firm, chartered a plane (cost: $1130), flew to the Chathams, posted the notice of intent and flew back again.

White was reluctant to talk to *NBR* because the company wanted to "explore and get an application in" without letting competitors know. He said an announcement would be made in the next two months.

He mightn't want others to know — but the company did post a notice. Under the Coal Mines Act a notice of intent does have to be posted, but the only time requirement on a company applying for a prospecting licence is that it publish its intentions in a public newspaper within seven days of applying for a licence.

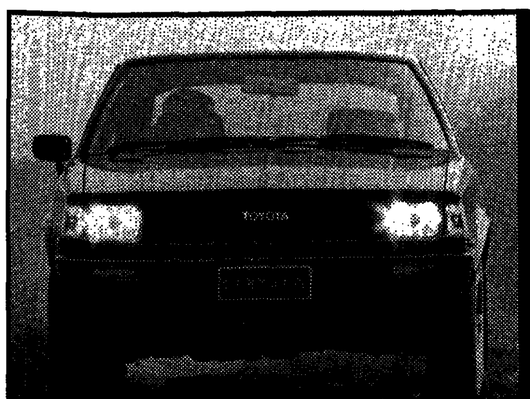
In the directors 1980 report White describes the company as being in a "semi-moribund state" but goes on, "two areas of interest for rutile which have been sought for many years should shortly be granted."

The company has been beaten to the post in those areas, around Poison Bay in Fiordland National Park, by the McConnell-Dowell backed Bronze Boulder Mining and Development Co Ltd.

That company has first priority for an exploration licence which covers areas Consolidated applied for last year.

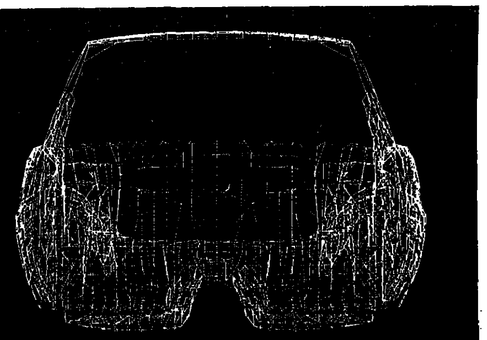
Last month, the company applied for an exploration licence in another Fiordland area.

Consolidated also has applied to prospect 150 hectares near Preeces Point, in the Coromandel Harbour.



YOU DON'T CLOSE YOUR EYES WHEN YOU DRIVE A CAR...

SO WHY SHOULD YOU WHEN YOU BUY ONE?



TOYOTA COROLLA
Stylish as tomorrow. Practical as today.
It's in a class by itself!

THINK IT OVER.

TOYOTA
Ahead in the 80's.

Comment

Editorial

THE state and its bureaucratic handmaiden, the civil service, have long been subject to suspicion, distrust, hostility and downright abuse from those who make up the private sector. But no doubt the civil servants take a smug satisfaction from the knowledge that their share of the cake in our mixed economy is steadily increasing and that jobs in the public sector have increased over the last *decade at twice the rate of those* in the private, sector, regardless of the National Government's sinking lid employment policies. It's a trend that ultimately is calculated to ensure that we are all civil servants and no one remains to raise further questions.

Retailers Federation president D G Turnkey is among more recent critics of the erosion of the private sector. He accused the Government of showing "virtually nil" concern for private enterprise, and complained that private interests were under attack by the "insidious intervention of politics". His cry for greater state support for "private" interests should be taken seriously by a Government which proclaims a philosophical sympathy for the capitalist system. When it comes to the "enterprise" part of the argument, however, those who warn against growth of the state sector must not infer that private entrepreneurs have some divine right to enterprise. In this country especially, private interests lend support to a state-imposed cocooning from competition which enables them to *make profits without* demonstrating too much enterprise. On the other hand, the bureaucrats have a rare flair for the initiative and boldness that too often is lacking outside the bureaucracy (although it is not necessarily always fruitful and is financed from a rich revenue source not available to private entrepreneurs and which encourages an element of extravagance).

Licensing is perhaps the most effective means of stifling competition. Savour this example from the restaurant business, for starters. A number of Wellington's restaurants raised *objections before the Licensing* Control Commission the other day when the city's only Indian-cuisine restaurant, the Bengal Tiger, applied for a liquor licence. Plush operations such as Orsini's, the Becfeater Arms, Plimmer House and the Bacchus apparently found unpalatable the prospect of the hot competition posed by an up-market curry house and included that point among their submissions. The fact the Bengal Tiger's proprietors had no previous catering experience was another of the arguments. As things turned out, the dining public has been given the freedom to choose for itself where it wants to dine; the licence was granted.

In Auckland, in contrast, it was a senior public servant who lamented a Transport Licensing Authority decision against giving a businessman the chance to prove an idea. The businessman planned to use vintage cars to take tourists on sight-seeing tours, but his licence application was turned down because he had failed to prove a demand. Catch 22: how could he demonstrate the demand for *something which had yet to get started? The* Tourist and Publicity Department's Auckland manager, David Chapman, was delighted when first told of the scheme, but dismayed when he heard the licensing decision against the businessman. "He is prepared to take a punt and offer a new service: That is a normal business risk. What has demand got to do with it?" Chapman asked.

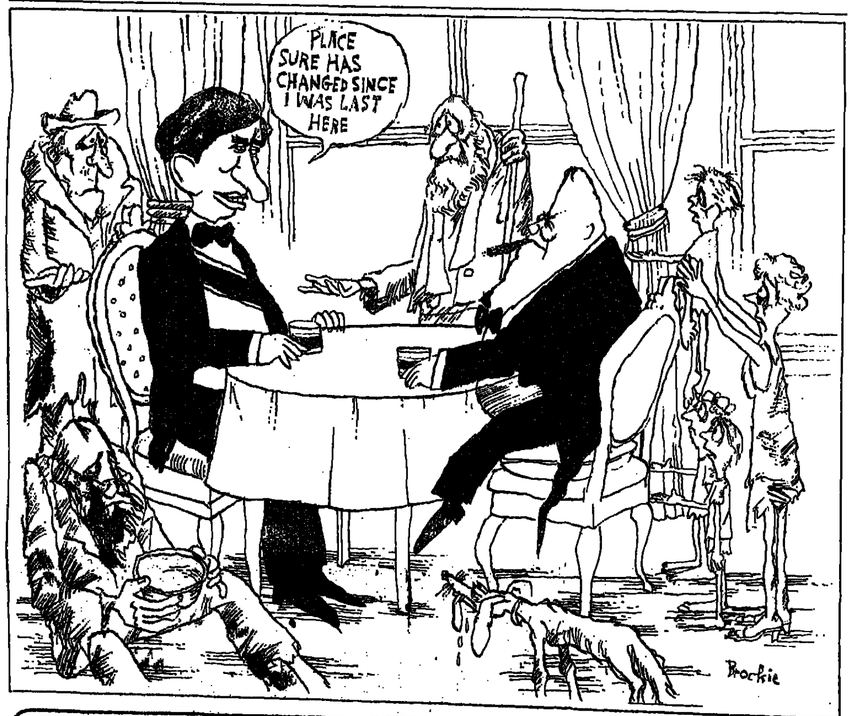
While licensing numbs competitive instincts in the private sector, it does give the bureaucrat the chance to demonstrate his commercial talents — with varying degrees of success. The country's big carpet makers were upset when a small Auckland company, NZ Woollen Rugs, was granted an import licence to bring in a machine to make synthetic carpets. They complained it was a threat to their "gentlemen's agreement" that all carpets made in this country have an 80 per cent wool minimum wool content. Of *course, synthetic carpet manufacture in this* country has some delicate implications for the export business. Under trans-Tasman trading arrangements, we are beholden to concentrate our manufacturing efforts on woollen carpets. And so the big boys, which are heavy exporters, had cause to yelp, and in the upshot, the department admitted it had made "an error of judgment". The licence had been granted on the basis that the carpets would be for wet areas such as bathrooms only — and "now we realise there is no real way of determining the end use".

The bureaucratic entrepreneur is in his element with the "think big" policies of a Government hellbent on completing a raft of energy-based projects. Indeed, the Government's willingness to take a huge business risk on the second aluminium smelter has amazed a Canadian academic. "Risks in business are usually borne by a private corporation," he observed. "But with the Government of New Zealand involved to the extent it is, the risk is more and more the business of the New Zealand public." And more and more financed with millions of dollars of public money, which makes it so much easier for the state decision-makers to take a gamble.

But our prize for bureaucratic boldness must go this week to the Statistics Department, for outwitting The Wizard and a shiploads of followers who took off in a yacht last Tuesday for a "nonecensus" party at sea. The party intended to spend the night aboard the boat 12 miles off-shore in an attempt to avoid the legal obligation of filling out census forms. But The Wizard's number was up when the staff at Stats found a loophole in the loophole, so to speak, and when the census-dodgers returned to port, they found an official welcoming party — at 4am — armed with the appropriate paperwork. Those who admire enterprise must be in two minds. Should the Wizard be given the louder applause for his nautical bid to elude the sub-enumerators and their forms? Or the department, for its all-night vigil to outfox him? Those of us who still have a sneaking regard for tooth fairies, Santa Claus, wizardry and freedom from the monster of state regulation and red tape might take some joy from asking just how much it costs in penal rates for Statistics — like the Canadian Mounties — to get their man. They might wonder, too, if that expenditure will result in significantly greater precision in the statistics that result.

— Bob Edlin

Brockie's view



NATIONAL BUSINESS REVIEW

Published by Fourth Estate Newspapers Ltd
Managing Director: Reg Birchfield
Marketing Director: Ian F Grant
Production Manager: Ralph Green
Accountant: Robyn Pickett

Editorial
Editor: Bob Edlin
Sub-editor: Warren Mayne

News & Feautres:
Colin James, Rae Mazengarb, Stephen Bell, Jack Hodder, Allan Parker, Ann Taylor

Advertising Sales:
Manager: Paul A C S Loh

Subscriptions:
Ian Dalziel

Auckland Bureau
Warren Berrymen
Gordon McLauchlan

Auckland Sales (Circulation & Subscription):
Frils Hermans

Auckland Office:
1st Floor, Shaws Building
38 Fort Street, Auckland
Tel: 789-304
PO Box 1734

Wellington Head Office:
Fourth Estate Newspapers Ltd
15 Blair Street, Wellington, NZ
PO Box 9344
Tel: 736-876
Cables: Natbus

National Business Review incorporates *Admail* and is a registered publication weekly (except for the week December and first two weeks January).

Typeset and composed by Computype Services Ltd, Wellington. Printed by R L Lucas & Sons Ltd, 118 Kapiti Road, Paraparaumu.

Single Copies: 80 cents
Subscription: NZ$80
Member ABC (Audit Bureau of Circulations)

Without word of a lie

Illegal practising

WE hear that every solicitor in Wellington is practising illegally for a week and a bit last month thanks to an administrative slip-up.

Solicitors pay their practitioners' fees in January to the Law Society, whose officials take the cash down to the court, pay it in, and are issued with practising certificates for the members. Practising without a certificate is illegal: the penalty is a fine of $100.

And Wellington solicitors presumably were liable to the penalty for the first few days of February. Their certificates expired on January 31. The Law Society didn't renew them until February 10.

There are interesting implications for future appointments to the bench, tribunals and so on. Appointees are required to have seven years continuous experience in practice.

Must all Wellington solicitors now wait for seven more years before they can claim the necessary qualifications?

Censutive issue

IT was census day last Tuesday, and — if we heeded the Statistics Department publicity and advertising — we would have answered all the questions honestly.

Census sub-enumerators delivered the same message along with the piles of forms to be filled in. But, hold on, didn't the Wizard of Onehunga church, who cast a spell over the census collectors and administrators finally get the sanction of the Court of Appeal for his "disobedience"?

"Oh no" said one sub enumerator. "That's not what we've been told. When I asked about that I was told the Wizard lost that case. All the questions must be answered."

Technically we, the populace, can be fined for giving false answers to the bureaucratic inquisitors. We didn't bother trying to find out if similar obligations and penalties apply to census staffers who give the public a bum steer.

Comment

Schooling us up for tunnel vision

by David Hoskins

THE state of the education system is always in the news.

Recent press statements have highlighted the high unemployment among school-leavers and the over-supply of primary teachers, and raised questions about the *efficiency of the School* Certificate examination in assessing individual ability.

Discussions on the plight of school-leavers, particularly, focus on the relationship between schools, society and employment.

Should schools, for example, prepare students for the work-force? Is this schools' primary function? If so, how can schooling best achieve this? What skills should be taught and emphasised?

On the other hand, if this is not the schools' primary purpose, what is?

Some have said that the aim is not to prepare students for the needs of industry, but to enable them to cope with life in general. If so, what do students need to know?

I have raised these questions not to answer them, but to show that they have important implications.

Whether school learning should be directly related to job opportunity by developing skills which can be directly used by industry is an important issue. But most discussions on the relationship between school achievement and *employment tend to assume the examination* system. In recent discussions on the future of both the School Certificate and University Entrance exams, for example, teachers and employers alike spoke about the relationship between schools, exams and jobs.

There is another side to this question however: the effect that the certification process has on the student's attitude to learning in general and to education itself. I call this *internal and psy*chological consequence the "certification effect", to be contrasted to the external, and more tangible, consequence of certification-jobs.

Certification usually refers to a successful completion of studies. It means getting something like School Certificate, Sixth Form Certificate, or even a BA.

When we speak of someone having School Certificate we are indicating the holder's level of education.

But certification does not have to be limited to the awarding of end-of-year pieces of paper. In the classroom, for example, a teacher who tells the student that he has done well, or who gives the student a high mark, is approving what the student has accomplished. In other words, the teacher is rewarding, or certifying, it. In fact, this is probably the chief responsibility of the teacher — to certify what is correct in the student's work.

Assuming that most students attend school for at least 10 years, we should ask what effect this constant process of certification has on the student's attitude to education.

One consequence of constantly rewarding learning is to encourage the attainment of the reward, often to the detriment of the activity for which it is a reward. Learning tends to become an activity to be engaged in for the sake of the reward, be it praise from the teacher, free time in class, or a high test score.

Margaret Donaldson, an educational psychologist working in Britain, questions whether — *in rewarding learning in this way — we don't tend* to reduce the intrinsic worth of the activity itself. The value of the learning activity becomes the attainment of the reward. When the rewarding ceases, so does the interest in learning.

This result is not surprising, if looked at in this way. But it does ride roughshod over what we like to think happens in schools.

Probably to the contrary of our own experience, we like to imagine that schools develop enthusiasm and curiosity, whatever the area of interest; that they foster an excitement about the world, and confidence in ourselves to be able to make our way in it.

Schools, we think, not only offer us the opportunity to learn useful skills; more important, they extend our imagination. School learning, in other words, is supposed to be a joyful experience, and one which prepares us for being "autodidacts" — people able to learn and continually extend ourselves when leaving school.

But however well intentioned the teacher, the method of packaging learning seems to transform learning into something mechanical, something which has little to do with what we like to think education is all about.

Reading a book, for example, is not valued for its intrinsic worth or enjoyment, or even for what it "says" to us, but for the "good" analysis of the plot or the "correct" character description. Thus learning is engaged in for what it gets us.

When there is no reward at the end, learning has no point.

When we often spend more than 10 years in such an environment, should we be surprised to hear that this attitude prevails outside school: that we tend to ignore educational pursuits, or that we often do not know how to use our free time?

The second consequence of the "certification effect" becomes evident when we not only "certify" learning, but limit the attainment of certificates to schools. As the adage says: "Education pays; stay at school." And the longer we stay, the more certificates we acquire, the greater our job prospects.

The effect of this monopoly is to clearly distinguish between useful and useless learning. Useful learning — that which is valuable for our employment opportunities — is found in schools. Learning outside school has little value because it cannot be certified.

Suppose there is a job opening for a TV repairman. Two people go along for the job. One has UE, the other has no certificates but an interest *in electronics.*

Who will get the job? Regardless of the relevance of UE to TV repairs, I'll bet that the applicant with the certificate will get it. In fact, in times of a depressed market, his chances actually increase.

Initially, we might say that this is right and proper. Certification refers to learning ability. But when we couple this with the first consequence of "certifying" learning, the worth of the certificate actually indicating any such learning ability must be open to question. This is what Margaret Donaldson was suggesting.

Nevertheless, by our almost unthinking identification of education with schooling, we condemn our young people to the consequences of the "certification effect". We believe that our children are leaving school better educated, better able to learn on their own, and to be curious about the world around them.

The contrary, in fact, may be more accurate. Schooling hinders, not develops, self-initiated learning.

This is not the fault of individual teachers. It is all the responsibility of how schools package learning.

David Hoskins is an Auckland student of the educational system who has a book dealing with the topic, "Beyond Schooling", soon to be published.

Without word of a lie

Sorry, wrong channel

WHEN *Northern Television* began advertising for staff to begin operations later this year, it was swamped with applications — some 700 so far.

But despite the fact that envelopes were clearly addressed to the would-be channel's Auckland box number, Post Office sorters apparently became confused; a fair number was delivered to *Television Two* in Auckland and even to Avalon in Wellington instead of to Wilson and Horton.

BCNZ mail staff were a bit more switched on and all but one of the letters were sent on to Northern Television unopened. And corporation staff who might be dismayed by this news can rest assured: the one which was opened in error was not an application from a BCNZ employee.

Future shock?

THE future of the Commission for the Future appears to be in doubt.

Nobody is talking officially. But it is known that commission director Dick Ryan is buying a rural hideaway in the Bay of Islands, far from Wellington's political jungle.

Polishing our own crystal ball, *NBR* envisions National Development Minister Bill Birch cutting Government expenditure and eliminating bureaucratic duplication by amalgamating the commission for the Future with the Planning Council.

The commission's four full-time, four part-time and two TEP workers cost each taxpayer 8c a year. And both the commission and the Planning Council are charged with foreseeing future development options for the country.

But at that point the two bodies diverge vastly. The Planning Council is charged with advising the Government. The Commission for the Future is charged with providing the public with information and options.

The Commission for the Future's role as public advisor got this body in hot water with its Minister, on more than one occasion.

Birch didn't take kindly to a commission report which said the public didn't subscribe wholeheartedly to his grandiose visions of the country's future.

And Birch wasn't too pleased when the commission said oil would cost $80 a barrel by 1990 when the Minister was saying it would cost $40.

The oil price has since moved to $44 on the spot market.

Birch's number-crunchers revised their figures from $40 to $65 in less than six months. The commission stuck by its original $80 forecast.

Sources say this makes prudent Ryan's future planning in his choice of the Bay of Islands for a property purchase; it's quiet up there and the snapper are mute adversaries.

Dom thinks big

"MULTINATIONALS *put country further in* the red," was the *Dominion* headline blow to "think big" policies the other day.

The headline appeared above the *Dominion's* rundown on the Statistics Department's account of the country's gross domestic product situation.

Energy Minister Bill Birch and his mates at the Beehive would have been just a bit bothered to read in the second paragraph of the report: "... payment of profits to multinational investors more than doubled New Zealand's overseas debt — from $319 million to $748 million". The implications for his giant energy projects, aimed at helping our balance-of-payments problem, were obvious.

The statistics showed no such thing, of course, and the *Dominion's* eccentricity was seen by some as evidence that the paper's staff were becoming disconcertingly pink, if not red.

But we are assured on the grapevine that there was no leftist plot to discredit the Government; rather, there had been some misunderstanding by a staffer uninitiated in the ways of interpreting Stats Department data.

Sins of omission

TO put the record straight, we hereby plead guilty to a number of sins of omission in last week's issue.

First, we wrongly stated that Dr Winkie Sutton, head of the Radiata Task Force, did not attend the 1981 New Zealand Forestry Conference. Sutton did attend. But in editing the article to fit the page, we omitted author Keith Johnson's reference to a panel discussion on marketing and utilisation opportunities. Our editing upset Johnson's argument that Sutton should have been one of the participants in that discussion.

Our article about Alusuisse's tax problems in Australia stated that the company had paid $2000 tax in the 1979 year, despite a total trading surplus of $122.65 for that period. Some readers no doubt would sympathise with the company for being savagely slogged by the revenue men. The Alusuisse trading surplus (we emphasise, not its profit) was $122.65 million for that period.

In "Without Word of a Lie", we speculated on Sir Tom Skinner's possible retirement when he turns 72 on April 18. *Retirement from what?* bemused readers were entitled to ask. From the Shipping Corporation, we now reply.

We must also put the glister back into the price of gold. We noted that the Kaneiri dredge had recovered 412,000oz of gold, at today's prices valued at more than $206,000 (it should have been $206 million) and that the Kaneiri Gold Dredging Company's new dredge was expected to produce 20,000oz a year to earn as much as $10,000 in foreign exchange (it should have been $10 million).

Further omissions? Maybe — but none that have been drawn to our attention by puzzled readers.

'Risk Management'

If you think it's just insurance jargon, then you haven't spoken to Hogg Robinson

In its ultimate application 'Risk Management' should eliminate the need for insurance. With this ideal in mind, Hogg Robinson, International Insurance Brokers, work with you to reduce your risks to the minimum, leaving as little as possible to be insured. Then they carefully select where best to place this insurance.

Hogg Robinson are able to make the complexity of 'Risk Management' sound this simple because they have had 135 years of experience with every type of industry around the world. They know the business world, the insurance world and how to get the best of both for you.

Why not speak to them?

HOGG ROBINSON
INTERNATIONAL INSURANCE BROKERS
P.O. Box 2407, Auckland.
Telephone 30-716



Letters

Employers can help

THE New Zealand Planning Council in its report on unemployment, stated that the solution to the problem of unemployment cannot be left to the Government alone, but that all sectors must take responsible action.

One small way in which employers could help the major problem of youth unemployment would be to accept applicants who have had no job experience. It is noticeable that an extremely high proportion of all jobs advertised are for experienced applicants, whether they be salespeople, office workers or whatever.

Admittedly this would involve a short-term sacrifice by employers and shareholders, but the long-term advantages to the economy must outweigh the extra costs of training those with no work experience.

One reason given for not employing inexperienced people is the relatively high minimum wage which must be paid, but at this time of economic crisis sacrifices must be made by all sections of the community.

In the short-term, profits may be slightly reduced, but in the long term, the benefits would be fewer people receiving the unemployment benefit and a stimulated economy which in term would create new jobs.

There must be nothing worse than the hopelessness caused by a shortage of job opportunities available to the young unemployed.

Ann Miller
Auckland

The real flaw in Socred

YOUR correspondent, John Hay-Heddle, of Social Credit (*NBR*, March 16) claims he has been looking for the flaw in Social Credit economic analysis.

As long as this search remains for him an intellectual exercise, trying to discover a paragraph which claims that one and one are three, his search will be pointless whether he finds fallacies or not.

The real fallacy of Social Credit does not lie only in its economic equations, ridiculous though they may be. It lies in the kind of society which Social Credit wishes to promote.

There are no economic fallacies in capitalism, provided you are happy with inequality, poverty and exploitation. There is nothing in Social Credit theory which prevents one section of the community from feeding off the rest, or which does anything to alter the state of affairs in every capitalist society: that a vast proportion of wealth and power is concentrated in the hands of a tiny minority, and that once a position of wealth has been attained it can be preserved indefinitely with the products of unearned income.

The fallacy of Social Credit is not only that it will undoubtedly fail to do what it sets out to do: but that what it sets out to do is wrong and unjust.

Marty Pilott
Wellington

Polls apart in outlook

RAY Tomes' remarks on electoral swings seem to be based upon an unusual number of misconceptions (*NBR*, March 9). The orthodox approach, which I, Heylen, and NRB follow, is to assume each independent voter has a probability of voting for each party, the probabilities being derived from the sample surveys and being conditional upon the voter's behaviour in the past election.

This generates a linear set of equations, which may be used for various purposes, including calculating overall voting shares or the effect on each electorate. To abandon this model almost certainly means abandoning the NRB and Heylen polls.

Tomes' alleged "straight-line swing" is therefore not used by any professional pollster in the context of a three (or more party) vote. You cannot represent changes in voting behaviour by Tomes' K, or rather I invite Tomes to demonstrate the mathematical model of individual voting behaviour which his K is applied to.

He will find it a very limited explanation, and a misleading one.

In particular it ignores the differential effect of shifts to and from the third party. An electorate with a large Social Credit following in 1978 is likely to behave differently from an electorate with a small following in terms of the changes in the Labour and National share.

As far as I can replicate the Tomes' mathematics, he appears to be assuming that the shifts from National and Labour to Social Credit are in the same proportion.

As any study of the Heylen and NRB polls show, such an assumption is wrong. By making these assumptions Tomes ends up with his oversimplified diagram.

(Some of his remarks on the degrees of freedom in the problem promise original insights into mathematics and probably invalidate the last few hundred years of development of the subject).

There is a nostalgia among amateur pollsters to return to a two-party election. Unfortunately the world is more complex.

Brian Easton
Christchurch

O'Brien on economists

AS the unnamed, paid economic leprechaun for O'Brien is trying to catch up his fanciful commonsense explorations through material he had lifted off "the back of a truck" (*NBR*, February 1) again I remind him that as a journalist he should check his sources if he wishes to understand. After all, he immediately recognised that the paper was written for just a "handful" of specialists who could "understand"; yet he persevered braising the content of the paper with out-of-context quotations, uneducated guesses at their meaning, and descriptions of cranky hand-written messages.

Having so managed to fill his columns of your tabloid with gobbledygook by such artful misrepresentations, he is next presumptious in thinking that any professional "economist" would want to be taken seriously by him; especially when he represents that it is immaterial to him whether the economists are "right or wrong" in what they say.

David K Sheppard
Professor of Money and Finance
Victoria University

FOR readers who may not recall his article, O'Brien claimed that much of the pain felt by New Zealand economists is self-inflicted. He used Dr Sheppard's paper (but chose not to identify the author) to illustrate why the public often ignore economists' statements, and why politicians rubbish them. Among the examples which O'Brien cited — albeit out of context — "As the price level and the money stock interact the fundamental disequilibrium becomes worse, especially in the case in which the interaction generates increases in both. In essence this paper is a radical monetary theory of inflation and/or an inflation theory on money disorination". — Editor.



On February 2, John Boswell landed in Geneva and somebody took off with his credit cards.

The American Express Card was replaced, immediately.

MR BOSWELL had only walked from Customs to the Airport kiosk when he discovered his wallet had been stolen.

After reporting the theft to the Swiss police he remembered he could get a replacement American Express Card at the local American Express Travel Office.

Sure enough, within a couple of hours he was presented with a replacement Card.

It's easy for any credit card to be lost or stolen overseas.

But worldwide the American Express Card is the easiest to replace.

There are over 1000 American Express Travel Service Offices in 109 countries where you can get a replacement Card on verification.

Most other cards must be replaced at the bank or office where they were issued. Which isn't much help if you lose your card in Athens and it was issued in Auckland.

Security Guaranteed

The American Express Card is safer than cash.

If it is lost or stolen you're limited to a maximum liability of $50. And if you report its loss prior to any fraudulent use there's no liability at all.

However there is much more to being an American Express Cardmember:

No Pre-set Spending Limit

Since only responsible people are selected for Cardmembership we don't believe in pre-setting a limit to their spending.

Over 1000 American Express Travel Offices Worldwide

As an American Express Cardmember, the services of more than 1000 American Express Travel Offices are available to you.

Friendly, English-speaking staff will change your bookings, provide you with extra cash in an emergency, arrange replacement Cards and Travellers Cheques, and give you all sorts of local information.

They even provide you with a mailing address almost anywhere in the world.

$75,000 Free Travel Accident Insurance

When you charge travel tickets on your American Express Card, you, your spouse and dependent children under 23 years of age are *each* automatically insured for $75,000 — absolutely free.

The World's Most Respected Card

At leading shops, hotels, restaurants, car rentals and resorts throughout New Zealand and worldwide the American Express Card is not just accepted, it is respected.

We invite you to apply for the American Express Card on the application below or pick up an application wherever you see the Take One box. For more information telephone your local American Express Office. Auckland 771-669, Wellington 727-456, Christchurch 66-772. Dunedin 776-680.

Simply fill in this application and mail to: American Express, Box 4005, Auckland. Upon review of your application, it may be necessary to telephone you to obtain further information to assist us in assessing your application.

Surname: Mr, Mrs, Miss.....
Christian Names.....
Date of Birth Occupation
Telephone Business Telephone Private
Home Address
Business Address.....

Terms and Conditions: I, the undersigned, warrant that the information volunteered by me is true and correct. I authorise American Express to confirm and exchange information regarding this application. I acknowledge and understand that, subject to acceptance, I will be billed at a later date for a joining fee of $25 and an annual fee of $25.

Signature Date

The American Express Card. Don't leave home without it.

AEM1 NBR/B O&M

Politics

Communicating past the voters' mental blocks

by Colin James

SPARE a thought for the Government, beleagured by journalists whose personal sympathies lie with the Labour Party.

Spare a thought for the Labour Party, beleagured by those same journalists — lackeys of the Tory press.

Quits? Not a bit of it.

The Government is in worse lurch than Labour. Those Labour-sympathising jackels are about to flock to Social Credit, the Government's column in *Truth* tells us.

(Socred is socialist, you see. Funny that. Labour thinks it is National in money-reforming drag.)

But hold on. Are not these Labour-sympathising Tory lackeys the same hacks who once conspired with the Labour-National Money-Power to ignore Social Credit and, when not ignoring it, deride it?

A few years ago a local television journalist added in to a report of a Tweedledum Party policy announcement a passing observation that it would be an important ingredient in the coming election.

Within minutes he got two phone calls. In one ear a Tweedledum supporter accused him of being a Tweedledee supporter for demeaning the policy by linking it to the election. In the other a Tweedledeer was saying he was obviously doing his best to advance the Tweedledum cause.

Each caller had heard what he/she wanted to hear. Similarly, newspaper readers with strong views read into what they see, what they want to read.

Thus journalists who write about the strong National rank-and-file push over the past two years for a rapid move towards a freer economy find themselves convicted by some of advancing the Labour cause.

The Government wants to move more slowly than the party; to report the party urge for rapidity is to be thought to take sides against the Government; and so the connection is made.

After more than half a decade of static numbers, livestock totals have climbed more than 8 per cent to a new record. Likewise, agricultural export receipts have climbed steeply, being the principal contributor to an estimated increase of more than 9 per cent in export volume.

Last week farming leaders at their Agrow publicity windup were talking of an increase of more than 50 per cent in real export earnings from agriculture over the coming decade.

This would, they claim, create upwards of 70,000 new jobs — and that is at their low projection of potential growth (2 per cent a year), not their high projection (4 per cent).

And all for $2000 million investment, compared with a top estimate of 6000 jobs from $6000 million in major industrial and energy projects.

Overconfidence? Possibly. A lot of spokes can be put in wheels between now and 1990.

But that is not the point. The point is that attitudes have changed.

Partly this is because of two good growing seasons. The easing of population pressures on land through emigration has also meant that increases in production per hectare have not been offset by loss of land to housing, as happened between 1967 and 1977.

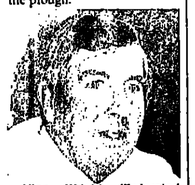
Partly, too, it has been stimulated by a change of Government attitude.

Ten years ago, Cabinets with majorities of city men were seeing more glamour in manufacturing and treating agriculture as a workhorse. Farmers lost confidence. We paid the penalty in foregone potential export earnings in the post-oil shock era.

The message got through — to the Treasury, economists and the Government.

The Government introduced its supplementary minimum price scheme (SMP), underpinning prices a year ahead. Farmers felt they could invest more safely. (For the moment we will leave aside the exchange rate implications of the latest SMP announcement.)

More importantly — as the message spread wider through the opinion leader segment of society — farmers began to feel wanted again. And there is nothing like feeling wanted to turn hands more willingly to the plough.



Allan Wright (Federated Farmers)... leading change.

Thus journalists who write about the drift of conservative wage workers from Labour because they (the drifters) perceive Labour as too "trendy" or too "left" find themselves convicted by some of advancing the Nationalist cause.

The Labour leadership has thought it has been rebuilding bridges with the drifters; to report that they have been failing is to be thought to take sides against Labour; and so the connection is made.

It matters not that it is the same journalists who are apparently biased in this mutually exclusive way. The reporting of Social Credit's rise will be seen by some politicans as evidence of Socred bias, too.

The socialistic Tory lackey Socred-loving journalists don't much mind this kitchen heat (to borrow Truman's phrase). They recognise that the politicians share their difficulty: voters have an infuriating habit of believing what they want to believe of politicians.

Thus they believe union wreckers run the Labour Party, no matter how often and loudly Labour denounces the wreckers. And they know the economy is in a mess, no matter how persistently the Government parades figures showing it is looking up.

The problem is not deliberate distortion. Politicians regularly compare our newspapers favourably with overseas newspapers, for the simple reason that they more faithfully reprint what politicians say.

It is, perhaps, that very faithfulness that is undermining the Government's positive message. The Government is very good at knocking its opponents and is regularly and faithfully reported when it does.

The electorate may well have come to think of the Government principally as a skilful opponent-basher — and thus pay less attention to the (by and large faithfully reported) cheerful forecasts of plenty.

Thus the important changes that seem to have been taking place are the more likely to pass unnoticed. Out there in producer-land attitudes have been changing.

Take agriculture. The pessimism of two years ago has given way to an extraordinary optimism.

The other important attitude change has been among manufacturers, who tell me they have been discovering protection is not necessarily so wonderful, after all.

The domestic market has stagnated; the dynamics of a modern corporation require growth; growth is not easy on a stagnant market; so growth has to come on the export market; so you have to make things that are competitive.



Agrow ... symbol of an important change of attitude.

It is called restructuring. And it has begun to occur naturally, organically, in response to market forces — despite continued protection.

The Government has contributed here, too. Ideologs amongst its supporters will say it has been moving too gingerly, but it has waved a few incentives and goads.

Example: the threat to remove protection for component manufacturers whose prices are "manifestly excessive". It has been used extremely sparingly, but the threat of future use is encouraging long, hard looks by potentially affected manufacturers.

In what proportions the credit for the change in psychology is due to the market and the Government measures is not important, except for electioneering.

What matters is that the change means industry studies are being accepted with far less fuss than would have been conceivable three years ago. Even the prospect of having to foot it with the underarmers from across the Tasman within a closer economic relationship is being accepted far more calmly than the Government initially expected.

I shall deal next week with the wider political implications of the changes in manufacturing and farming attitudes.

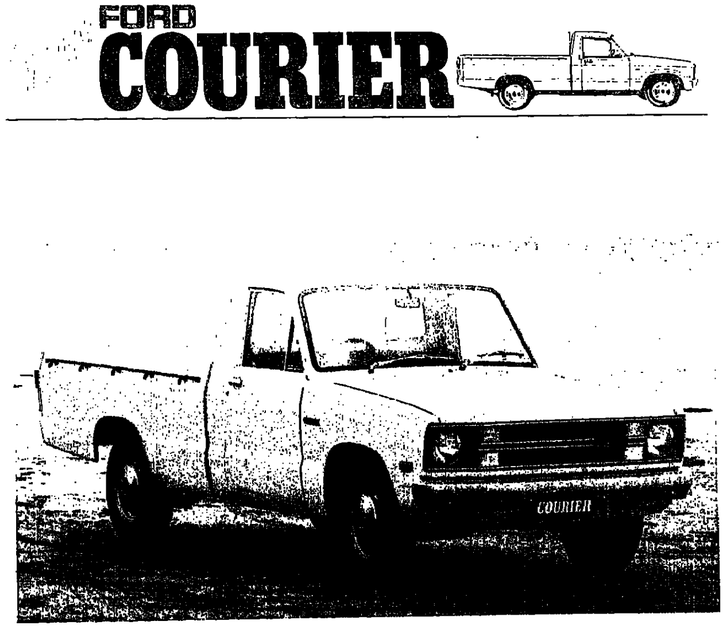
The first point to take is that, more than any wizardry of economic management, the change in psychology is an important contributor to economic improvement.

Government measures can stimulate the change, as I have indicated. But the Government can do more. It can itself communicate the right sort of positive psychology.

But as it sows, so shall it reap. It sows more weeds (attacks on opponents and uncommitted observers) than wheat (positive leads for change) — or at least sows the two in such a way that the weeds grow better than the wheat.

Which is where we came in. The voters will believe what they want to believe. And they have been conditioned to negative psychology. Has the Government time to turn that round?

FORD COURIER



The toughest, thriftiest one tonne under the sun!

Whether as a pick-up or a chassis cab, Ford's new Courier delivers the total package. Purchase and operational economy (expect up to 7.4 l/100km or 38mpg). Spacious, practical design to support the largest loads on the roughest roads. And an astonishing degree of driving comfort.

Courier's light, responsive steering is distinctly car-like — no matter how heavy the load — and belies an inner strength which may be summoned effortlessly from its smooth 1.8 litre OHC cross-flow aluminium head engine.

Your investment is protected from below by a Torsion Guard Chassis — five tubular steel and two stamped steel crossmembers designed to resist torsion and absorb stress under the most tortuous road conditions.

The new Ford Courier is justifiably the finest pick-up in its class. The logical solution to the world's pressing demands for a light-heavyweight that is both cost and comfort-conscious.

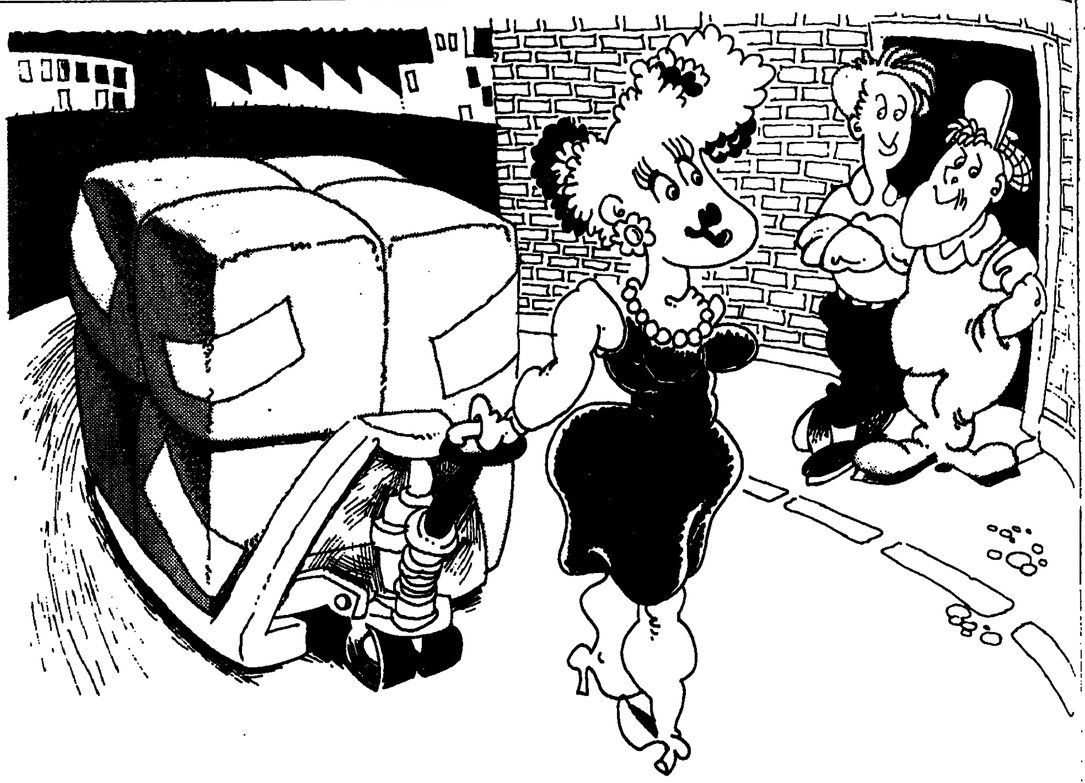
With New Zealand's number one parts and service network backing it all the way, a new Courier from your Ford Dealer has got to be good for business! Come down and give it a spin.

Moving business your way!

FC 198

FORD COMMERCIALS

Ford Motor Company of New Zealand Limited Prices and specifications subject to change without notice.



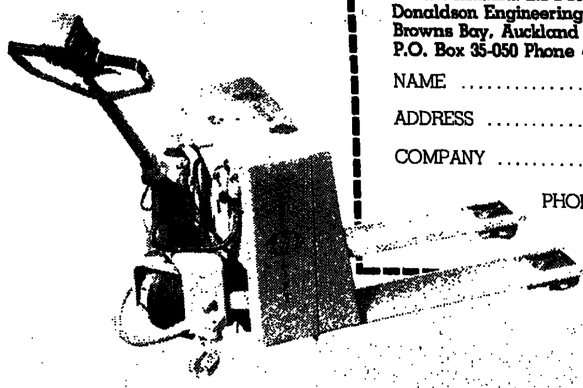
'SINCE WE GOT THE NEW "JIFFY" AUTO-PALLET' TRUCK, LIFE ROUND HERE'S BEEN A LOT MORE PALLETABLE!'

Put a new "Jiffy" 'Auto-Pallet' truck in your plant and we guarantee life will become a lot more palletable, not only for you but for your workers as well. The new "Jiffy" 'Auto-Pallet' offers you all the benefits of the larger powered Pallet Trucks but at a fraction of the price.

'Auto-Pallet's' economical 3 speed electric motor will move up to 1250 kg of stock over uneven surfaces, up-hill or over slippery floors and, because the power unit is electric, there's no dangerous fumes or inflammable fuels. 'Auto-Pallet's simple control unit means it can be operated by any member of your staff, male or female with complete safety and efficiency. By adding a simple removable tray (optional) the 'Auto-Pallet' can also be converted into a low cost electric truck to move unpalletised loads, quickly and efficiently, throughout your plant.

And the price for all these benefits – around $4,000.00

For around $4,000.00. That's all it costs for the "Jiffy" 'Auto-Pallet' truck, complete with batteries and battery charger. Compare that price with the cost of a larger powered Pallet Truck and we think you'll agree that 'Auto-Pallet' offers value for money that can't be beaten.



For more information and a free on-sight demonstration contact:-
Donaldson Engineering, 50-56 Anzac Road, Browns Bay, Auckland 10
P.O. Box 35-050 Phone 47-85169

NAME

ADDRESS

COMPANY

PHONE

JD2

One of the Motor Traders (N.Z.) Ltd Group of Companies

donaldson Jiffy

donaldson engineering

Precision equipment for materials handling

Economics

Strong growth, less inflation, same unemployment

Economics writer

THE economic outlook for the coming year is improving. So say the experts at the New Zealand Institute of Economic Research (NZIER), the only economists in the country who publish their short-term projections.

Output measured in terms of gross domestic product (GDP) will grow around 2½ per cent in real terms during the coming year and the rate of inflation in consumer prices is expected to fall to about 15 per cent.

But while the rate of economic growth is expected to increase, the NZIER does not think that there will be much of a reduction in the numbers of unemployed over the next 12 months.

These forecasts, with a detailed discussion about how they are derived, appear in the March 1981 issue of *Quarterly Predictions*. The NZIER's outlook is far from optimistic, but it is less pessimistic than that described in last December's issue of *QP*.

Then the experts saw no growth for 1980/81 and a growth rate of 1½ per cent in real GDP for this coming year. Now the NZIER says that GDP rose by 1 per cent in real terms last year and will rise by 2½ per cent in 1981/82.

A principal cause of our current growth has been the rise in the volume of exports.

This rise has come largely from greater output by the farming sector, stimulated partly by Government support schemes and partly by the often under-estimated benefits of excellent climatic conditions over the past two seasons.

But where will growth come from this year? Assuming a normal season, farm production may fall slightly, though strengthening export prices may mask this fall.

Even so, recent Department of Statistics figures for the balance of payments suggest exports are already at a lower level than was appreciated by the NZIER's forecasters when the March issue of *Quarterly Predictions* was being prepared.

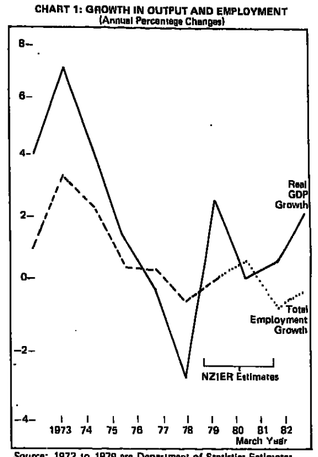
Economic growth this year, then, is likely to be constrained by a larger balance of payments deficit than that taken into account by the NZIER.

The NZIER's economists note that the "trade" sector overall has probably had a lacklustre year: it is the financial and services sectors that have done reasonably well.

The construction sector has not had a bad year and is expected to lead the economic expansion in 1981/82, particularly in the later part of the year. Reasonable growth in this and other sectors is forecast to outweigh any reversal in the pastoral-based industries.

The rise in output will be achieved, at least initially, by an increase in labour productivity. In other words, the NZIER expects there will be no growth in total employment. Rather output per employee (labour productivity) will rise.

CHART 1: GROWTH IN OUTPUT AND EMPLOYMENT
(Annual Percentage Changes)



Source: 1972 to 1979 are Department of Statistics Estimates, Monthly Abstract of Statistics, Table 10:01.

This is what appears to have occurred during the 1978/79 upturn. In that year output increased by nearly 3 per cent, while total employment rose by less than half a per cent. The chart illustrates the pattern described by the NZIER.

There was some employment growth into 1979/80, but Department of Labour surveys suggest that total employment fell in the first six months of 1980/81.

This evidence is supported by respondents to the NZIER's *Business Opinion Survey*. Weak employment conditions exist because firms, particularly those in the manufacturing sector, appear to maintain a level of production below full output capacity despite slight gains in economic growth over the past two years.

And unless employers are convinced that demand for their products is likely to be sustained at a higher level, they are not likely to create new staffing positions.

This attitude is likely to have been reinforced by increases in the cost of labour.

The NZIER believes that "this weak employment situation is being reflected in increased unemployment.

"During the year to December 1980 the numbers registered with the Department of Labour as unemployed almost doubled, increasing from 26,700 to 50,150. With no growth in employment anticipated over the next year we would expect this upward increase in unemployment to continue."

The news on the inflation front is a little more encouraging.

Comparing inflation rates for members of the Organisation of Economic Co-operation and Development, only six member countries had rates higher than ours last year.

We may gain some small consolation from the fact that at least our inflation rate of 17.1 per cent was closer to the OECD's average rate of 12.9 per cent than Iceland's rate of 57.5 per cent or Turkey's of 94.3 per cent.

We may gain greater consolation from NZIER forecasts that our inflation rate will drop to 16.5 per cent by March 1981, moving further down to an annual rate of 15 per cent by March 1982. These rates are an improvement on earlier NZIER predictions, reflecting smaller than expected (and delayed) petrol price rises and more moderate changes in our terms of trade.

There are three main reasons for this decline in inflation, according to the NZIER. A fall in domestic demand over the last year means that there is more consumer resistance to price rises.

Easing international oil price movements and export meat prices (which contributed to a sharp increase in food prices last year) mean that the external price effects will be less over this coming year.

Finally, price rises are likely to be less this year because the Government has avoided large changes to indirect tax rates and to the charges for public services.

The NZIER opines that "in view of the sensitivity of the CPI to such policy changes, the Government is likely to be reluctant to make such changes in election year. This has the effect, however, of reducing the relative prices of Government services and administered price commodities (such as petrol) which . . . will necessitate large price increases in the future."

HERE'S DPS 6.

The small computer system that grows and grows and grows...

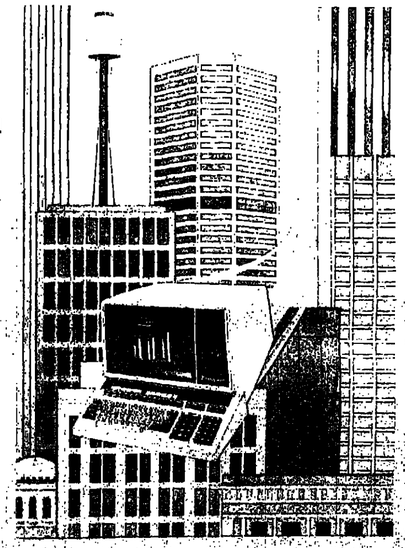
DPS-6 is our new family of small computer systems, and it has just about everything you could ask for.

Altogether there are 10 models. At the low end, there are 16-bit systems that offer a range of power and capability that used to come only with much larger systems. In fact, these systems probably have the best price/performance ratio in the industry.

At the top end, DPS-6 includes 32-bit systems that we think are the most powerful small systems ever announced for business applications. (They're also pretty tough to beat in a scientific environment).

And in between there are systems that keep adding incremental value to support different kinds of growth.

Most important, these systems are compatible – programs that run on the smallest 16-bit model can be run without changes on the largest 32-bit model. Also, the larger 16-bit models can be easily converted to 32-bit models when you need more power and capacity.



Naturally, there's software too. The best business-orientated software in the business. COBOL, transaction processing, word processing, data entry and communications. We call this combination of hardware and software Businessware. You'll call it the most efficient system you've ever seen.

And DPS-6 systems work especially well in distributed networks. Providing the up-to-date data that can mean greater productivity in executive suites, offices, factories and warehouses. Wherever people need facts and figures to do their jobs.

You'll find DPS-6 systems easy to install and easy to maintain. Best of all, they're so easy to expand you won't have to worry about growing too fast. Their built-in expansion capability means they'll keep on working – doing the future applications you haven't even dreamed of yet.

Power and flexibility, growth potential, and cost effectiveness. These are only some of the reasons we think DPS-6 systems are special. To discover how they'll work for you, call Honeywell on-

Auckland 77 3633. Wellington 84 3606.

Honeywell

Law

It's April's full of new laws day– a layman's guide

by Jack Hodder

ALTHOUGH the first day of April is no longer New Year's Day (as it was until 1564 in Europe and until the 18th century in Britain) and is becoming less popular as the date for beginning the accounting year, it remains a favourite date for bringing new Acts of Parliament into force.

The number of Acts coming into force on April 1 this year is rather less than in recent years. That does not mean a slackening off in the number of laws passed but only that two "packages" of laws have been set down to begin at later dates.

The legislation letting Magistrates' (nops, District) Courts loose on jury trials will be effective from May 1. And the much publicised "family law package" starts from October 1.

For the edification (though probably not the entertainment) of *NBR*'s law-abiding readers, half a dozen of the more substantial pieces of legislation beginning this week are noted below:

Companies:

The *Companies Amendment Act 1980* runs to 49 pages and includes some long-overdue changes to the primary code governing the conduct of companies' affairs.

For company law specialists, the most significant features may be the new provisions protecting minority shareholders.

The new legislation will enable them to complain of acts of conduct of the company (that is, the majority) that are or are likely to be oppressive, unfairly discriminatory or prejudicial towards them.

The complicated common law rules as to who may sue in the name of a company are replaced by a broad discretion given to the High Court to give directions.

On a more mundane level, perhaps, the new legislation contains new and detailed requirements as to the keeping of accounting records by companies. The financial position of the company must be able to be determined with reasonable accuracy at all times from such records.

There is also a statutory requirement that such records be available at all reasonable times to all directors and other authorised persons (which should head off some of the tactics employed in the Rendon Berlei boardroom dispute (*NBR*, April 7, 1980).

Also in the Companies Amendment are extensions of the categories of persons prohibited from the management of companies and new provisions relating to the liability of companies for the debts of "related companies" and in joint windings up.

(One proposal dropped from the original Companies Amendment Bill was the code proposed for a system of "creditors' management" of ailing companies.)

Liquor Laws:

The *Sale of Liquor Amendment Act 1980* forms a 52-page document which cannot be recommended for light reading. New provisions for "club" and "food and entertainment" licences do away with the need for general ancillary, restaurant, theatre, cabaret and caterer's licences.

The Licensing Control Commission's jurisdiction is extended to the granting of wholesale and ship licences and it is empowered to deal with lesser matters "on the papers", that is, without the need for an attendance by the parties.

The drinking age provisions have been rewritten but with little substantive change: Godzone's youth will continue to drink illegally in bars and prop up the on-premises liquor consumption tallies.

(Because of our dual system for organising liquor outlets, there is a shorter but equally unreadable companion piece of legislation, the *Licensing Trusts Amendment Act 1980*, beginning at the same time.)

Maternity Leave:

The *Maternity Leave and Employment Protection Act 1980* may prove to be one of the more significant pieces of legislation of recent years in its impact on the workplace.

It completely buries the idea of the employer's divine right to fire and will oblige employers to make provision for temporary staff reorganisations.

The essence of the Act is that a female employee who is intending to become a parent and who has been with the same employer for the 18 months preceding the expected date of arrival of the child is legally entitled to six months unpaid maternity leave and to protection of her job if at all possible.

The Act makes it generally unlawful to dismiss an employee because of her pregnancy or during the period of her maternity leave or the six months following the end of the maternity leave.

If an employer can claim (and in any dispute the onus will rest with the employer) that the position is a "key" position and cannot adequately be filled by a temporary worker or that the position has been made redundant, a female employee may have her employment terminated during pregnancy or maternity leave.

If that happens she must be given priority over other candidates should a "substantially similar" position arise during the six months period following her maternity leave.

The Act also entitles pregnant women to 10 days of unpaid leave relating to their pregnancy during the period preceding their taking of maternity leave.

Taxation:

Some minor adjustments to the Commissioner of Inland Revenue's arsenal are contained in the *Inland Revenue Department Amendment Act 1980*. Taxpayers' returns are deemed not to have been duly furnished until received at one of the department's offices. Notices posted out by the department are deemed to have arrived at the addresses address for the purposes of the legislation.

The commissioner's signature and certificate as to certain matters are deemed to be sufficient proof in the absence of proof to the contrary of the matters they relate to.

And, in the event of the commissioner himself attempting to fiddle his tax, a deputy commissioner can step in and carry out all those functions normally left to the commissioner.

Traffic offences:

The *Transport Amendment Act 1980* "descriminalises" the Minister of Justice's word some of the lesser sins habitually practised by motorists.

Instead of being "offences" for which one is "convicted" after being found "guilty" such things as speeding, parking at the wrong time or place or doing a U-turn on a motorway may henceforth be treated as "infringements" which will have to be "proved" and for which a "fee" (rather than a "fine") will be payable.



Drinking . . . law simplified

It will also mean that, unless one maintains complete innocence of any such error, there is no need to go anywhere near a courtroom.

(On the question of parking, the new legislation presumes the owner of a car to be liable for parking offences unless the owner can prove that the car was stolen at the relevant time or that someone has already paid an infringement fee.)

Urban transport:

The full title of the *Transport Act 1980* is ironically relates that it is to "promote the establishment and maintenance within New Zealand of appropriate and efficient urban transport systems".

It requires regional authorities to prepare and implement urban transport schemes with the advice and financial assistance of a 12-member body, the Transport Council (formerly the present Urban Public Passenger Transport Council).

The council in turn is charged with preparation of the annual national implementation scheme. (The unwritten part is that the Government is charged with finding sufficient funds to make the whole thing work.)

Are you sold out or just out sold?

Training in professional selling to give you the marketing edge.

Can salesmanship be taught? Until recently, many businesses assumed that a salesperson was something you were, not something you became. The lid is off! And positive proof exists that salesmanship can be taught.

Pacific Consulting can improve your sales through training. Retail . . . industrial . . . customer service . . . personal – if your aim is MORE SALES AND HAPPIER CUSTOMERS, Pacific Consulting can train your people to do it better.

Maybe your competition has adopted the highly scientific approach to improving sales performance from Pacific Consulting!

Maybe that's why you're being outsold!

Make a marketing decision right now and complete the coupon for more information – without obligation, and maybe next cycle you'll be selling out!

PACIFIC CONSULTING GROUP
Sharpening the marketing edge



Pacific Consulting Group Limited
P.O. Box 8654
Auckland

I'm interested in knowing more about Pacific Consulting training, please get in touch.

Name:
Title:
Company:
Address:
Phone:

PACIFIC CONSULTING GROUP LTD.
Eden House, Level M, 44 Khyber Pass Auckland, NZ. Box 8654.
Phones 797-768, 798-377

Representing Learning Systems Pty. Ltd., Aust., Area/Exclusive Distributor for Xerox Learning Systems.

Finance

Alan Hellaby's testing time – the 8am crisis

by Klaus Sorensen

AT 8am last Monday, Alan Hellaby – one of the country's most prominent and experienced businessmen – was suddenly confronted with a major crisis.

The Auckland stock and station group, Allied Farmers Co-op, informed his family meat processing firm, R and W Hellaby Ltd, that a package would be delivered by 8.15am.

The "surprise package" contained details of Allied's intention to make a takeover bid for up to 100 per cent of the Hellaby shares.

The unthinkable had happened – a takeover bid had been launched for one of the oldest members of the Auckland business establishment.

And Alan Hellaby is at the heart of the Auckland business establishment.

Apart from being deputy chairman and managing director of the family company, he is the chairman of two heavyweights – New Zealand Insurance and New Zealand Steel – and has been involved in the Chamber of Commerce.

In 1978-79 he was to the forefront of Export Year promotions as chairman of the campaign committee.

Hellaby directors and executives were shocked. "The bid caught us by surprise, to say the least," Hellaby corporate advisor Owen Cook told *NBR* last week.

"We had no inkling of a bid until 8am on Monday morning," he said.

Allied, chaired by former JBL receiver Doug Hazard, seized a tempting opportunity to buy up a meat processor at a bargain-basement price.

It is offering two of its ordinary shares plus 40c cash for every three Hellaby shares, a combination which works out at about $2.83 for each Hellaby share – compared with a pre-offer price of $1.62.

The Allied offer seeks 100 per cent of the Hellaby capital, but is designed to apply to a minimum of 40 per cent of the shares.

Hazard has admitted that his company did not expect the Hellaby board to welcome the offer, and says the offer is pitched for a minimum of 40 per cent because "it may be a difficult takeover".

Alan Hellaby quickly rejected the bid as not being in the interests of shareholders, employees, or farmer clients, a view which was supported by the rest of Hellaby's directors after a board meeting on Wednesday.

On paper, any bid which offers shareholders a $1.20 premium over the market value of their shares must be attractive.

But stacked against the $3.79 a share Hellaby asset backing – and the fact that the company's earnings have been depressed by heavy hygiene expenditure in recent years – the bid is leanly pitched.

The other factor against the Allied offer is that it involves the issue of shares, and in a situation where shareholders are being asked to forsake their loyalty in favour of a quick capital gain, a cash offer would have had a better chance of success.

Nevertheless Alan Hellaby is faced with the toughest fight of his otherwise ordered life.

But he has in his favour:

- Strong affiliations with the Auckland business establishment;
- A high public profile and a large number of small shareholders;
- The fact that the institutions – which often decide the fate of a company in a takeover situation – have a relatively small interest in the meat-processor.

A combination of these three factors gives Hellaby a reasonable chance of being able to fend off the unwanted bidder.

His recommendation not to accept the offer is bound to be followed by many of the smaller shareholders who have been impressed with Hellaby's public reputation.

The 20 largest shareholders in R and W Hellaby own only 28.5 per cent of the ordinary capital, with institutions holding 12.7 per cent.

As at November 1980, Alan Hellaby held 1.4 per cent of the capital, and the estate of R S Hellaby held 1.1 per cent. But there are several shareholders with the name Ferguson who are also members of the Hellaby family, and it is estimated that in total, the Hellaby family control around 10 per cent of the company's capital.

The largest single shareholder, with 6.7 per cent, is the New Zealand Insurance Co's trust department. This shareholding is understood to represent some Hellaby family shares, as well as other estates.

Next largest shareholder is the AMP Society with 3.5 per cent. Nine other institutional shareholders make the total up to 12.7 per cent.

But it is Alan Hellaby's insurance industry associations which may be of the greatest value to him.



Alan Hellaby — takeover will test his muscle.

When New Zealand Insurance merges with South British next month, Hellaby will become chairman of the new board, and will head a company which controls 11.2 per cent of the capital of R and W Hellaby and Co Ltd.

This results from two present shareholdings in R and W Hellaby Ltd.

The New Zealand Insurance Co controls 8.4 per cent of the Hellaby shares (though some of these are Hellaby estate shares in any case) while South British is listed as controlling 2.8 per cent of the Hellaby capital.

And just to underline the importance of business associations in such situations, Hellaby can probably count on the support of shareholders such as Smith and Caughey Ltd, which holds 70,000 shares or 0.8 per cent of the capital.

The reason is simple: when the new insurance giant is formed, the deputy chairman of the company will be Sir Harcourt Caughey, and if shareholders such as these were to sell out to Allied, the atmosphere in the New Zealand South British Group Ltd board room would undoubtedly be strained.

But if business circles feel a certain amount of sympathy for the beleaguered Alan Hellaby, they have considerable admiration for the shrewdness shown by Allied Farmers.

Allied could hardly have picked a better time because Hellaby has been dogged by expenditure on hygiene requirements which has depressed profits.

On the other hand, the upgrading programme is almost complete and Hellaby is poised to significantly improve its performance.

Allied has been keen to get into processing for some years.

The company has made two unsuccessful applications to the Meat Industry Authority for permission to convert its Whangarei abattoir to an export processing house, and in its last annual report directors said it was Allied's aim to move into processing.

Cook sees only better times ahead for his company.

"The industry as a whole has faced a terrible time with hygiene expenditure around $400 million in recent years," he said.

Hellaby has spent $40 million on new plant, including its new Tauranganui works and upgrading of the Shortland works in central Auckland.

Cook told *NBR* that expenditure had been essential to preserve New Zealand's overseas markets.

"Because of this the industry and companies like ours are vulnerable at this stage – though we are virtually at the end of it," he said.

He admits that from a timing point of view Allied's move could not be better.

Hellaby has assets worth about $100 million, but the pre-bid market capitalisation of the company was a mere $14 million.

The books show fixed assets of around $41 million, and Cook agrees that the actual worth of Hellaby's assets is probably twice their book value.

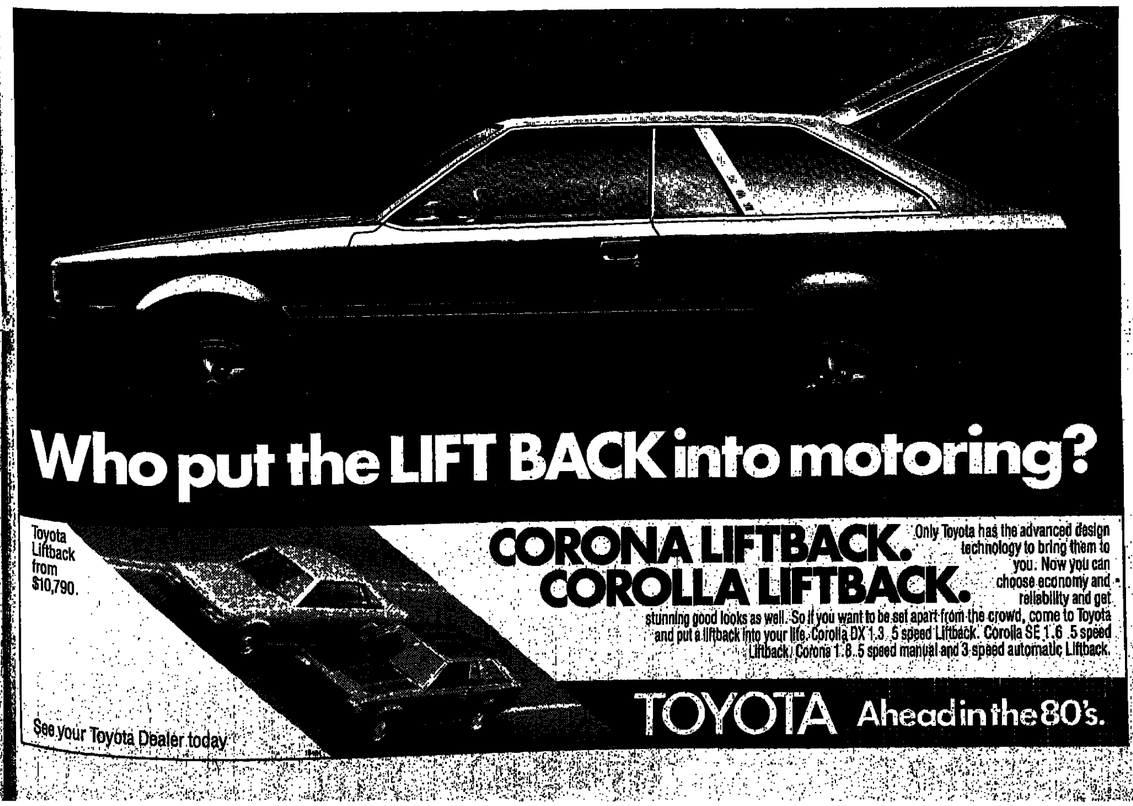
Cook points to the big spread of small shareholders as a factor in his company's favour.

He said the fact that relatively few Hellaby shares traded on the sharemarket after the bid was announced was an indication that shareholders were prepared to stick with their investment.

He said Hellaby's greatest fear was that the Allied involvement with the company would mean the end of the meat processor's long held independence.

Hellaby has always been able to choose the sources of its stock. But Cook said he believed that if the company was tied to accepting stock supplied by Allied clients, other suppliers like Challenge and Dalgety might decide to get their supplies processed elsewhere.

He said moves by stock and station agents to become involved in meat processing were unhealthy because control of processing facilities would allow the agents to dictate too many terms and conditions to their clients.



Finance

The business week

Humes Ltd: unaudited net profit for six months to December 31 was $3,577,000 (last year $6,054,000). An interim dividend of 3 cents will be paid on March 31.

Andas Group Ltd: unaudited net profit for six months to December 31 was $223,795 (last year $33,894). An interim dividend of 2.5 per cent will be paid on May 14.

Andrews and Beaven Ltd: unaudited net profit for six months to December 31 was $844,504 (last year $870,099). An interim dividend of 6 per cent will be paid on April 22. The company will issue 1.9 million specified convertible preference shares at $1.20, yielding 16 per cent, in the ratio of three for 16.

Atlas Majestic Industries Ltd will utilise the capital profit on the sale of its 25 per cent stake in **Tisco (NZ) Ltd** to offset the loss resulting from the fire which destroyed **Clinton Park Poultry Ltd's** processing plant.

Australian Consolidated Industries Ltd has acquired 55.2 per cent of ordinary shares and 60.4 per cent of the convertible unsecured notes in **Acmil Ltd** and will extend its takeover offer till April 24.

Australian National Industries Ltd: unaudited net profit for seven months to January 31 was $10,862,000 (last year $9,318,000). An interim dividend of 5.7 cents will be paid on April 30.

Robert Holmes a'Court's Bell Group retired from the takeover battle for stock and station agents **Elder Smith Goldsborough Mort Ltd** with a $16.5 million profit after selling the 20 per cent stake it acquired from its initial offer.

Brierley Investments Ltd: unaudited net profit for six months to December 31 was $2,941,000 (last year $2,051,000). An interim dividend of 4 cents will be paid on June 5.

Colonial Motor Company Ltd: unaudited net profit for six months to November 30 was $2.04 million (last year $2.72 million). An interim dividend of 6 cents will be paid on May 7.

Consolidated Metal Industries Ltd has increased its authorised capital to $10 million and will now issue one specified preference share at $1.90, yielding 15 per cent, for every 10 ordinary shares.

Arthur Ellis Holdings Ltd: unaudited loss for six months to December 31 was $504,134 (last year $633,000 loss).

Feltex NZ Ltd will form a joint venture, **NZ Nurseries Holdings Ltd**, with **Duncan and Davies Ltd, Moller Holdings Ltd** and **NZ Nurseries Ltd.**

Fisher and Paykel Industries Ltd are completing their takeover of **H E Shacklock** by issuing 350,000 ordinary $3 shares plus cash for the outstanding 50 per cent shareholding.

Fletcher Challenge Ltd has been listed on the London stock exchange.

Freightways Holdings Ltd: unaudited net profit for six months to December 31 was $2.95 million (last year $2,509,000). An interim dividend of 5 cents will be paid on April 8.

Hanimex Corporation Ltd: unaudited net profit for six months to December 31 was $A2,056,000 (last year $3,655,000). An interim dividend of 4.5 cents will be paid on April 30.

Australia's James Hardie Industries Ltd will merge its New Zealand business with **Phillipps and Impey Ltd** subject to the approval of the Overseas Investment Commission, the Examiner of Commercial Practices and other relevant authorities.

R & W Hellaby Ltd's directors rejected **Allied Farmers Cooperative Ltd's** takeover bid offering two Allied shares plus $1.20 for three Hellaby shares.

Mainzeal Corporation Ltd: unaudited net profit for six months to December 31 was $300,593 (last year $228,991). An interim dividend of 7 per cent will be paid.

National Consolidated Ltd has acquired an 11.1 per cent stake in **NKS Holdings Ltd** and will now bid for the rest of the stock.

NZ Farmers Co-operative Association of Canterbury Ltd: unaudited net profit for six months to January 31 was $912,000 (last year $1,239,000). An interim dividend of 4 cents will be paid on May 1.

NZ Land Securities Ltd's directors recommended acceptance of **Whitehaven Holdings Ltd's** takeover bid of 25 cents a share. Seven hundred acceptances, holding 65 per cent of shares, have already been received.

Pavroc Holdings Ltd's directors, with exception of one, accepted a revised takeover bid by **Fulton Hogan Holdings Ltd.**

Laue Walker Rudkin Industries Ltd: unaudited net profit for six months to December 19 was $1,455,000 (last year $1,333,000)

Property Securities Ltd and **City Realties** have called off their merger talks.

Selby Shoe Co. Ltd: unaudited net profit for the year ended January 31 was $966,261 (last year $721,117). A final dividend of 10 cents will be paid and a one for three bonus issue made

James Smith Ltd: unaudited net profit for six months to January 19 was $149,372 (last year $205,000). An interim dividend of 2.5 cents will be paid on May 1.

An unnamed bidder for 20 per cent of **Spedding Consolidated Ltd** has acquired 100,000 shares, less than 5 per cent, at 72 cents.

Taylors Drycleaning and Laundry Services Ltd will make a one for six bonus issue. Convertible specified preference shareholders will get seven ordinary shares for every five specified.

Job score

FMC Ltd, one of Europe's major meat traders is sc... down its packaging plan... Auckland, making 26 work... redundant.

PHILIP Morris will close... Masterton cigarette and pi... co factory. Jobs lost – 6... Masterton, 14 in Wellingt... 11 in Auckland and five... Christchurch.

LANE Walker Rudkin to... open a new womenswear... boy at Aranui, Christch... employing 120.

AGROW campaign wound... with the forecast that 200... jobs could be created by 19... overall agriculture produce... increases 2 per cent annual...

Economic indicators

NEW building permits c... continued to slide. In Febr... an estimated 1092 new pri... were issued, 1232 in Febr... 1980 and 1429 in 1979. For... year ended February w... unadjusted 11,428 permits... issued, down from 13,6... year earlier.

Winstone share price speculation

From Page 1

limited scope for New Zealand to increase its supply there.

Other overseas markets may open up in the future.

Winstone's decision to build the $30 million mill had been based on a belief that this would be the case, but the markets did not eventuate.

Already the mill has lost between $7 million and $8 million and some sources have suggested further losses around $200,000 a week could be occurring.

Aside from the enormous power/costs involved, together with wood supply and transport problems, servicing loan moneys offshore is adding to financial difficulties.

Walker pointed out that any company interested in taking on the mill would see only long-term advantages, provided production did not prove too costly.

So far, NZFP had only had discussions with Winstone's directors over "many matters of common interest" and no specific meetings were scheduled, he said.

But he conceded that it was unlikely Winstones would want the problems continuing for much longer. The company was probably seeking some early indication of what the Government could do.

Meanwhile, Winstones is keeping quiet on possible options for the future, including progress with Government on the power question.

Ede said the company had to resolve its "particular dilemma" and there were "a number of people trialling the pulp", but was unwilling to be drawn further.

Carter Holt director Kenneth Carter told *NBR* a merger between Winstones and Carter Holts had not been contemplated, but Treasury had asked his company among others what it could do to help.

Asked if there might be a joint management deal over the mill, Carter said he did not think so, but that in the marketing area, his company could help. The suggestion had been mooted last month, but it was something that could be done "overnight" and a decision lay with Government.

Asked to explain the price movement, and particularly the Auckland bid suggestion of "in the air buying, Carter said: "I feel more than me...we would no idea." He had also no... what caused the sudden... said.

Exchange rates

As at March 26 $NZ sells at:

Britain	.4065
United States	.9193
Canada	1.0866
Australia	.7884
Fiji	.7430
France	4.5067
Italy	951.20
Japan	190.93
Malaysia	2.0804
Netherlands	2.1064
Switzerland	1.7420
West Germany	1.9095
Western Samoa	.8853

You can tell us by the company we keep

AA MUTUAL General Accident · DUPONT · Railways · NZIG · CABLE-PRICE Corporation Ltd. · BCNZ

Let us introduce you to the most successful financial reporting system in the world today.

The Software International Financial reporting system is used by over 50% of the Fortune 500 Companies in the U.S.A. and by 20 major organisations in New Zealand.

IDAPS is the New Zealand agent for this comprehensive suite of financial and management accounting systems which cover all aspects of:

Financial Reporting · Accounts Payable
Financial Planning and Simulation · Accounts Receivable
Consolidations · Fixed Assets
General Ledger · Budgeting and Allocations

This computer software can be used on most major types of computers and can be implemented quickly to give very rapid returns for a relatively low investment. If you are looking for a more flexible and responsive accounting system for your organisation, look no further.

SOFTWARE INTERNATIONAL from IDAPS

IDAPS Computer Science. A wholly owned New Zealand Company. Phone Auckland 770-239, Wellington 843-949.

The Todd Dealer Fleet Plan

Models Options Finance Cost-Benefits

Your Todd Dealer has all the facts your company needs for an objective review of your current vehicles and a cost-benefit study of replacement alternatives. We invite you to contact your local Todd Dealer or write to: *Fleet Sales Dept, Todd Motors Ltd, Private Bag, Porirua.* Choose from the range that made the Todd Dealer Network No. 1 in the New Zealand car market in 1980.

The Cars: Mitsubishi Mirage (3 or 5 door), Lancer EX, Celeste, Sigma (saloon or estate), Talbot Alpine (5 door), Chrysler Regal.

The Light Commercials: Mitsubishi Express, L300 chassis-cab or van, L200 utility cab-chassis or 2000 Sport pick-up. Canter 2 or 3 tonne petrol or diesel truck. Also Medium and Heavy Trucks; Agricultural Tractors.



Stock Exchange weekly review

FOR WEEK FRIDAY MARCH 20 TO THURSDAY MARCH 26

	Last sale	Week's high	Week's low	Turnover
ACEL	197	197	197	4100
AIRCARE,50C	145	155	135	14300
7.5% PF	---	---	---	0
5% PF	---	---	---	0
ANZ FINANCE	255	255	255	500
ALCAN,50C	215	220	215	4200
A.M.I.	240	240	235	5300
ARMITAGE,50C	100	100	97	16400
12% CONV PF	93	80	76	6300
ASHBURTON	114	115	114	17200
ALLIED FARM P	155	165	155	13000
12% CONV PF	107	---	---	0
ALLIED PI	210	---	---	0
ALLOY CY,50C	230	260	260	600
AMALGAMATED,50C	265	---	---	0
AMPOL PET.,50C	225	---	---	0
CON PR	160	165	150	37300
A.BEAVEN	130	130	125	14200
11.5% CONV PR	145	145	141	5330
ANDAS GROUP	95	---	---	0
5c,5% PR	112	---	---	0
12% CONV PR	298	299	287	37900
ANZ BANKING GROUP	530	530	530	100
A.ARIGHT	NC	---	---	0
"A" 5c,7.5% PR	60	---	---	0
"B" 5c,12% PR	256	256	256	100
A.BARNETT	40	---	---	0
A.BLEIS	340	345	340	23500
ARMY SERGH	270	---	---	0
A.B.CABLES	30	32	30	9700
ATLAS, 50C	30	30	30	4600
10% CONV PR	520	520	515	5100
AUCK.GAS	200	200	195	41600
AURORA,5LC	260	---	---	0
10% CONV PR	150	150	150	4700
14% CONV NTS	150	---	---	0
CONV NTS '84	270	---	---	0
A.C.I.	210	210	200	5100
AQUACRAT HOLDS	75	---	---	0
BAILLIE,50C	100	102	97	45700
10% CONV PR	90	94	84	4500
BANK NEW	495	495	475	2610
BEACH PETR.,50C	500	---	---	0
BING HARVEY, 50C	87	87	83	31900
B.N.Z. FINANCE	510	510	510	1710
BRIDGEVALE,50C	200	---	---	0
BRIDGEVALE "B"ING	105	112	100	43500
BRIERLEY, 50C	410	426	410	72250
12.5% SPEC PR	255	---	---	0
BOS, 50C	65	65	65	8500
B.H.P., 100C	2220	2250	2175	2180
BRSTNES, 50C	80	---	---	0
BUNTING,50C	130	130	130	17400
BURNES CAT.,50C	160	---	---	0
C.P.G.	310	310	298	P0200
7.5% "A" PR	---	---	---	0
5% "B" PR	---	---	---	0
10% CONV PR	290	290	285	1600
C.A.G.L.	230	---	---	0
11% CONV PR	175	---	---	0
C.F.M.	285	285	270	24400
12% CONV PR	190	195	180	300
CANT.FLOUR	220	---	---	0
CANT.TENDER	388	388	375	16900
12% CONV PER	365	365	360	16400
CAPITAL 34,50, 25C	120	120	115	1500
CAPITAL LIFE,50C	82	82	82	200
CARBONIC ICE	240	---	---	0
CARTER HOLT	425	435	425	24100
CBA FINANCE,50S	252	252	250	5100
CEL	235	235	235	5100
CEMENCO	267	267	260	15100
12% CONV PR	105	105	105	100
CON PR 10%	98	---	---	0
14% CON DEBT	400	---	---	0
CHERRYS	275	---	---	0
CHTCH.GAS	300	300	300	600
CHTCH PRESS	300	300	270	2000
CITY REALTIES,10C	42	48	42	2/12700
CLYDE GROUP	116	116	110	4700
12% CONV PR	100	---	---	0
COLLINWOOD,50C	65	---	64	400
13% CONV PR	58	---	---	0
COL.MOTOR	238	---	---	0
CON NTS 92C	135	---	---	0
COLTER WATSON	110	110	110	7500
CORALCO,50C	650	650	645	200
CORMAND	162	162	160	2300
COR.METAL,50C	170	170	170	61000
COR.SILVER,4C	16	17	14	82000
COOKS WING	133	134	128	11500
COOT-MORIENT	145	145	145	600
12% CONV PR	115	115	100	200
10.25% CONV PR	114	---	---	0
CROWN CONSOLIDATED	210	215	207	20500
11% CONV PR	195	195	195	1500
C.S.R.	910	---	---	0
CYCLONE,50C	290	---	---	0
DALGETY(N.Z.)	262	262	260	21900
DALMUIR & KING,50C	65	67	60	8800
DEANES	140	---	---	0
D.I.C.	210	210	210	4100
12% CONV PR	150	---	---	0
DIRNVALL & PAULDER	250	250	250	500
DOEL WALLACE,50C	115	117	115	14900
12% CONV NTS '79	---	---	---	0
11% NTS '82	115	---	---	0
8% CONV NTS	85	---	---	0
D.I.B.A.	68	68	68	0
DOM.BREW.,50C	120	120	115	49500
11% CONV PR	70	70	70	18200
DONAGHY'S	290	290	290	4200
12% CONV PR	320	---	---	0
D.R.A.,50C	110	110	105	2800
DUNLOP (NZ)	370	370	365	2100
5.5% PR	55	---	---	0
EBBETT	140	140	140	200
ENG,52C	115	115	115	800
E.L.STEVENS,5-C	320	326	317	1200
EMPIRE MIN 5,10C	20	---	---	0
ENGLEWOOD	172	172	172	19500
EXPLORG	200	---	---	0
FARMERS P.P. ET	90	90	90	100
F.I.L.,5C	111	111	112	30200
10% CONV PR	95	95	92	1200
FAIRMAN,50C	85	85	85	5000
FELTEX,5C	175	175	174	96300
10 PR	180	180	180	200
FINLAYSON, NZ	175	175	175	15000
FISHER & PAYKEL	125	135	120	18000
FLETCHER CH.,50C	235	235	227	366700
15% CONV SH	259	262	259	586400
DEF CONV SH	105	105	100	2800
FOUNTAIN CORP	625	630	625	19300
FREIGHTWAYS,50C	110	110	110	6600
12% CONV PR	185	185	185	79400
G.A.	135	135	135	6500
11.5% CONV PR	50	66	50	23600
GEN.FINANCE	50	---	---	0
G.E.COMPT	200	---	---	0
G.J.COLES,5C	135	135	134	200
GOLDEN BAY,10C	277	---	---	0
GOODMAN GROUP	67	67	65	49400
12% CONV PR	140	145	140	110C
GOODWINS, P.P.,25C	280	280	280	30C
GOLDENSTEIN	55	55	55	12250
	270	270	270	100C

	Last sale	Week's high	Week's low	Turnover
HAURAKI PET.,25C	140	---	---	0
HAWKINS,50C	90	90	85	46900
6.5% PR	---	---	---	0
H.A. FARMER	295	295	295	2200
15% CONV PR	175	175	175	100
HAYW-IGHTS PREF	85	---	---	0
HEALING	295	295	290	9700
30% DEF	---	---	---	0
12% CONV PR	265	265	265	100
H.POLLAS,	295	295	295	1400
10% CONV PR	215	---	---	0
HENRY PE.,5,5C	190	180	177	9600
10% DEBS	255	---	---	0
HOLEPROOF	260	260	260	600
HOOKER,50C	75	---	---	0
HUME INDUST 12%	120	120	120	7000
5-7.5% PF 87	42	42	42	400
10% CONV DEBS	115	---	---	0
I.C.I.(AUST)	155	---	---	0
I.C.I.(NZ)	208	208	202	3900
IND PROADCASTING	195	---	---	0
INDEPENDENT NEWS	180	185	180	7400
IND.CHEM',50C	195	195	195	700
INTERTASMAN NZ,50C	---	---	---	0
I.W.DOW,50C	265	265	262	2000
JAMES AVIATION	325	---	---	0
JAMES SMITH 50C	60	60	60	300
14% CONV PR	95	---	---	0
J.E. WATSON	380	---	---	0
12% CONV PR	295	---	---	0
J.BURNS	97	99	96	54300
12% CONV PR	195	---	---	0
JOHN EDMOND	285	295	295	300
J.WEBSTER 5JC	66	67	62	6400
12% CONV PR	49	49	46	4000
J.MERCER INDS., 200C	70	---	---	0
5.25-6.25% PR	125	---	---	0
J.NATHAN	125	---	---	0
6.5% PR	125	---	---	0
11% CONV DEBS	140	---	---	0
J.RATTRAY	230	230	230	700
12.5% CONV PR	155	---	---	0
KEARNS-OATENA, 200C	210	---	---	0
K.W.RUPPIN,50C	75	75	70	145400
12% CONV PR	105	105	105	9800
LANES,50C	46	46	46	500
L.D.NATHAN	230	230	220	59000
9.5% CONV DEBS	205	205	205	100
CONV PR	205	206	205	4400
LEYLAND,50C	170	170	165	500
LION, 50C	124	125	123	184400
10% CONV PR	123	123	122	4100
12% CONV PR	107	107	103	3100
L.J.M.OIL,50C	48	44	40	52400
LUSTROID	205	---	---	0
MAINZEAL CORP,50C	160	160	160	2000
15% CONV PR	75	---	---	0
MAIR,50C	295	295	295	2300
11% CONV PR	230	---	---	0
PANAMATU,50C	110	---	---	0
MANTHEL	182	185	185	800
MARAC	440	425	400	3700
MCALPINE,50C	85	85	85	2900
MCKECHNIE	240	240	230	600
MIDLAND	200	200	200	400
12% CONV PR	172	---	---	0
MTN.RESOURCES,20C	81	85	80	47500
M.O'BRIEN,50C	40	60	55	14000
12% CONV PR	50	50	50	400
SPEC PR	55	---	---	0
MONTANA,50C	150	155	147	20700
M-P-I.M.	200	200	200	600
11% CONV NTS	170	---	---	0
13% CONV PR	3	---	---	0
MOTOR HOLDS.,50C	165	165	155	18400
12.5% PR	87	---	---	0
MOTOR TRAD.,50C	75	75	66	20700
5-6% PR	64	---	---	0
11.5% CONV PR	52	52	52	4700
MSI CORPN,50C	108	108	97	42000
12% CONV PR	100	100	100	300
MT.COOK	175	178	175	109400
N.I.W.HOLDS.,50C	400	700	400	7850
NAT.INSCE, 50C	240	240	235	27400
NATIONAL TRADING	---	---	---	0
8% PR	---	---	---	0
NAYLOR	150	---	---	0
5% PR	50	---	---	0
NEIL HOLDINGS, 50C	67	67	58	60400
N.Z.CEMENT	128	128	125	15200
N.Z.E.P.C.,50C	127	127	125	24400
15% CONV PR	115	115	115	1600
N.Z.FARM PERY.	195	195	195	4000
12% CONV PR	170	170	170	100
14% CONV PR	158	158	155	1500
N.Z.F.P.,	395	400	386	130000
N.Z.I.G.	415	415	415	600
3.5% PR	40	---	---	0
N.Z.I.,	390	395	380	13300
10% CONV PR	270	270	270	2800
N.Z.LAND,50C	30	30	25	65700
N.Z.LEATHERS	45	45	45	2900
N.Z.MOTOR BODIES	75	75	70	8000
N.Z.M.C	165	167	165	23500
N.Z.NEWS	212	212	212	9100
N.Z.PETROL,50C	820	820	725	7250
N.Z.REFINING	730	750	730	23800
N.Z.STEEL	208	208	200	28800
N.Z.UNITED	475	---	---	0
NIVEN INDUSTRIES	105	---	---	0
NUMARA	300	---	---	0
ODLINS, 50C	94	99	91	183000
"A" 6% PR	65	---	---	0
12.5% CONV PR	67	67	65	5200
"B" 15% CONV PR	66	66	66	1000
OPTICAL HOLDINGS, 50C	58	58	58	7100
12% CONV PR	45	45	45	1200
OTAGO PRESS & PROD	135	---	---	0
PAVROC HOLDINGS	225	225	225	2000
CONV	120	---	---	0
P.D.L.HOLDS,50C	188	188	188	1100
PEAK.INVEST	85	---	---	0
PHILLIPPS & IMPEY,50C	162	162	163	43200,
PRINT & PACKAGING	200	200	197	46900
11.5% CONV PR	180	180	175	35800
PROGRESSIVE	490	490	480	11200
12% CONV PR	900	900	900	100
PROP.SECURITIES,50C	190	190	190	5400
PROP.BUILDING	125	125	125	2300
QUILL NOMINEE,50C	120	120	120	500
12% CONV PR	100	---	---	0
RADIO AVON, 25C	135	135	135	500
RADIO OTAGO	80	80	80	1200
REDINA	128	128	128	11600
R & W HELLABY	240	260	162	36100
REID FARMERS	300	300	300	200
REPCO(NZ),50C	83	83	83	1500
10% CONV PREF	92	---	---	0
RIVERTEX	290	290	285	6400
RER CONSOL.	285	290	285	7800
CON PR	160	---	---	0
RHEEM,50C	175	175	175	600
RICKETTAN,50C	242	---	---	0
ROTHMANS,50C	140	140	138	40600
R.W.SAUNDERS	270	270	270	28800
SALMOND	195	200	195	700
SANFORD	290	290	290	1000

	Last sale	Week's high	Week's low	Turnover
PR	100	---	---	0
12% CONV PR	240	---	---	0
12% "B" CONV PR	210	210	210	100
SCHOFIELD	135	135	135	3200
SCOTT,50C	95	95	93	11200
12.5% CONV PR	75	75	65	1100
SELBY	300	---	---	0
SKELLERUP,53C	365	365	355	2300
5-7.5% PR	37	---	---	0
SMITH BIOLAB,70C	170	173	170	3900
12% CONV PR	140	---	---	0
SMITHS CR'N.	150	150	150	28200
STH. BRITISH	434	432	415	93050
STHN. CROSS HOTEL	150	---	---	0
STHN CROSS MTNS.,20C	50	50	49	43600
S.P.M.	225	225	217	46700
SPREDDING, 50C	74	74	72	33450
12% CONV PR	88	---	---	0
STEEL & TUBE, 50C	158	159	156	178300
SUCKLING	165	165	165	100
TAYLORS	135	135	135	1140
12% CONV PR	122	122	122	100
TELFERIN	138	138	139	3800
12% CONV PR	120	---	---	0
T.J.EDMONDS	280	290	280	2700
TOLLEY	180	180	165	12500
TOUR FIJI	35	35	35	200
TRANS ASHBURTON, 50C	55	55	55	400
TML GROUP, 50C	106	108	105	119800
10% CONV PR	82	82	82	1100
12% CONV PR	85	88	85	1000
TRANS (NTH. CANT.)	120	120	120	2800
13.5% CONV PR	96	96	96	700
15% CONV PR	93	93	93	200
U.D.C.	147	---	---	0
U.E.B.,50C	106	106	104	51000
6.5-7.5% PR	115	---	---	0
12% CONV PR	90	93	86	6200
15% CONV PR	63	63	60	5400
UNITED STEAM SHIP	82	---	---	0
5.5% PP	78	---	---	0
UNITED RUBE	107	---	---	0
UNITED PUBLISHING,50C	280	280	275	2400
VACATION,50C	75	79	69	24500
12% CONV PR	55	---	---	0
12.5% CONV PR	50	---	---	0
WATTIE,50C	263	265	254	90000
11.5% CONV PR	175	179	178	2200
12% DEFS	165	---	---	0
WALKER F.W.&L.	690	690	690	390
WATTIE,50C	158	158	160	19300
12.5% CONV PR	90	92	90	4530
WELCAS	450	450	450	300
WESTPRINT	235	235	215	1170
WILKINS FARMERS	285	290	290	600
W.J.McG.,50C	54	60	53	3200
W.JEFFREYS	162	165	160	10974
12% CONV PR	120	---	---	0
WILSON & H.,50C	665	665	665	5700
WILSON CONCRETE	160	170	160	100
WILSON HEALTH	115	115	115	9100
12% CONV PR	110	110	110	2700
WINSTONE,50C	75	75	67	415300
12% CONV PR	56	56	50	68300
WPMTNS EP73 A-OPS, 100C	74	---	---	0
5.75% PR	72	72	72	9000
WPMTNS AUST. 40C	265	---	---	0
WORNALD	280	280	280	1200
5-7.5% PR	100	---	---	0
W.R.CARPENT 5,50C	146	---	---	0
WRIGHTSON,50C	110	---	---	0
YATES CORP	465	450	440	11550
CONV PR	170	---	---	0

ADE THE COMPUTER EQUIPMENT SPECIALISTS

ANDERSON DIGITAL ELECTRONICS

LOWEST IN PRICE

Auckland 663-832 · Wellington 663-008 · Christchurch 43-001

R. A. JARDEN & CO.
STOCK AND SHAREBROKERS
Members of the Wellington Stock Exchange
9th Floor B.P. House, Cnr Waring Taylor St & Customhouse Quay, Wellington, New Zealand
Telephone 736-860 · Box 3394, CPO Wellington 1 · Telex N.Z. 3567 · Cables: Portfolio, Wellington

ADE THE COMPUTER EQUIPMENT SPECIALISTS

ANDERSON DIGITAL ELECTRONICS

LEADERS IN QUALITY

Auckland 663-832 · Wellington 663-008 · Christchurch 43-001

BUTTLE, WILSON & CO.
Members of the Auckland Stock Exchange
7th Floor, C.M.L. Centre, Queen Street, Auckland.
Phone 34-357, P.O. Box 45.
BW78

Franchising

Mortgage headache from Alko Frei agency

by **Warren Berryman**

A NORTH Auckland housewife mortgaged the family home to buy a franchise to sell Alko Frei, the product described in some marketing pamphlets as a hangover cure.

She now has a financial headache and wants her $9000 back.

She is as determined as she is outraged: "You have a mum up against the wall. This is my family home," she told *NBR*.

To press her claim, she visited the Auckland offices of Alko Frei (NZ) Ltd with a car-load of placards warning against buying Alko Frei agencies and threatening to picket the place.

She didn't carry out the threat. But she hasn't got her money back.

Alko Frei – little more than some 8c of fructose in a sachet retailing for $1.25 – is the latest product promoted by an Auckland group of franchise merchants.

The housewife saw an ad in the *New Zealand Herald's* businesses for sale section on January 31.

The ad said: "Alko Frei agency, due to illness the Auckland East agency for this exciting new product is now available, over 30 outlets will guarantee minimum income $20,000; $3000 plus stock $5000". It included a phone number.

The ad had been placed by an Alko Frei franchisee, who told the housewife he was selling the agency because he had bone cancer and was moving to Christchurch.

The housewife said she went to see Allan Cowan, one of the company's principals, at Alko Frei's office in Northcote to transfer the agency.

She said Cowan told her that Alko Frei would be promoted by TV advertising but he didn't say when.

She raised the $9000 for the agency with a third mortgage on the family home through a money-lender. He has since discounted the mortgage to a third party.

The housewife found she would be unlikely to earn the "guaranteed minimum income" of $20,000.

The 30 outlets were dairies and stores with display racks of Alko Frei on the check-out counters. Some of these outlets, she said, had sold only one sachet at that time.

The best sales achieved by an outlet had been a total of 27 sachets, she said.

The housewife later learned (this was confirmed by *NBR*) that the franchisee who transferred his agency was not dying of bone cancer. He did have a broken arm. And he did move to Christchurch. *NBR* was told by his father, managing-director of a large and respectable Auckland firm.

The housewife said she was not willing to sell the Alko Frei agency to anyone but Alko Frei (NZ) Ltd or back to the man from whom she bought it. As a matter of conscience, she said, she would not pass the agency on to another franchisee.

The fraud squad has been inquiring into who said what and when to discover who, if anyone, misrepresented the agency when it was sold to the housewife.

Alko Frei Director Ted Carthew visited Wellington late last year to sign up franchisees attracted by an advertisement and accompanying article in *Business News*, a throwaway promotional newspaper published in the capital.

The article quoted Carthew as saying: "We've set our sales target for $1,000,000-plus and all I need is as few as 800 people in 12 main cities to get the Alko Frei habit twice a week."

One potential franchisee, interested in buying rights to Wellington, told *NBR* he was to pay $20,000 for stock and a variety of promotional services.

According to this businessman, that price included $14,000 for stock to supply retail outlets such as bottle stores and dairies, $780 for wire display units for the 52 proposed outlets, $600 for drink coasters, $600 for initial advertising, and $650 for competitions.

Another $50 was being asked as a signing-up fee for each of the 52 outlets.

Payment in full was required within 14 days of receipt of stock and promotional material, the businessman told *NBR*.

Several prospective Alko Frei franchisees told *NBR* that Carthew had said the product would be advertised in such publications as *Woman's Weekly*, *The Listener*, *New Zealand Truth*, *Sunday Sun*, *Sunday Times*, *Best Buy*, local papers and farming journals.

Alko Frei's press material says "as advertised on TV".

Potential franchisee in Wellington told *NBR* Carthew had told him space had been booked so far, no advertisements had been screened.

The sachets of Alko were to sell from counter display units for $1.25 each, said. Retail outlets were to 25 cents, the franchisee cents, and Alko Frei (NZ) the rest bar 20 cents which to go into a consolidated vertising account.

NBR called Cowan to day to find out how sales going and ask why there advertising had not yet peared. Cowan said he not comment because the ter was *sub judice*.

Carthew was in Auc Cowan said.

CCL takes Australian byte

WELLINGTON computer and publishing group, Computer Consultants Ltd, has bought Burns Philp's Sydney computer bureau. The cash deal, which is subject to the execution of a formal contract, will see CCL take over Burns Philp's subsidiary Computer Installation Developments Ltd.

The change of ownership will be effective from February 1, 1981.

Computer Installation Development services about 200 clients and has a staff of 50. The bureau specialises in offering processing services to the real estate and leisure club industries, but also offers a of financial applicat general business.

As a result of the deal expects that the turnover Australian subsidiary ceed $A1 million in the 1982 financial year.

CCL managing direct Fraser said the desire celerate the export of the Zealand company's pr and service was the main for the acquisition. CCL pects to develop export ings by providing the A tralian bureau with da ture, computer processi software services from Zealand.

62 cents buys you National Business Review

(or one cup of coffee and a very small sandwich)

- The National Business Review subscription costs just 62 cents a week . . . a very small price to pay for often invaluable news, analysis and comment on the fast-changing New Zealand scene, delivered on Mondays 48 weeks of the year. National Business Review keeps close tabs on the fast-changing New Zealand political, economic and business landscape and an equally close watch on the information requirements of its readers.
- News-stand price for National Business Review ($38.40) and companion publication NBR Outlook (the twice-yearly special devoted to detailed analysis of important national issues), is $43.40. Subscribe now for just $30.00 – and save $10 per year.
- National Business Review / NBR Outlook regular price $43.40 . . . subscription price $30.00.
- To take advantage of the NBR subscription offer simply fill in the Fourth Estate Subscription Service coupon elsewhere in this issue.

We earned our stripes in Asia. Now we're earning them around the world.

Our reliability and famous service have earned us more Asian destinations than any other airline. Now we're taking our reputation to Australia, London and the Middle East. Isn't it nice to know you're flying Cathay Pacific.



You can depend on us.

(3rd Floor, General Building, 29 Shortland Street. Phone Auckland 30-638)

Bahrain · Bangkok · Brunei · Dubai · Fukuoka · Hong Kong · Jakarta · Kota Kinabalu · Kuala Lumpur · London · Manila · Melbourne · Osaka · Penang · Perth · Port Moresby · Seoul · Shanghai · Singapore · Sydney · Tripoli · Tokyo.

CATHAY PACIFIC

The Swire Group

SYD 1029

Business

'Old boys network' to the rescue

A top-level "old boys network" is playing its part in a new financial alliance between big business and horticultural exporters feeling the pains of rapid growth.

Long-standing personal connections between top executives of Feltex and a Taranaki horticultural venture sparked off moves for the carpet giant to get into the produce exporting business.

Last week, Feltex announced the formation of a joint venture with New Plymouth's Duncan and Davies Ltd and its marketing arm, owned with Moller Holdings Ltd, New Zealand Nurseries Ltd.

It was the second time in three years that Duncan and Davies had found Taranaki's equable climate and fertile soils lacking one basic ingredient — the cash to exploit them.

The 80-year-old family firm, which manages 160 hectares at Waitara, is the nation's biggest nursery, specialising in ornamental shrubs and trees.

For most of that time, the firm has been selling mainly to the local market, building a reputation for its rhododendrons and camelias in particular.

Exporting was a minor part of the business till three years ago, when the firm realised both the opportunities and its inability to exploit them without help.

Then it went into partnership with Moller Holdings Ltd, also of Taranaki, forming New Zealand Nurseries Ltd to export the produce which Duncan and Davies grew.

The partnership has thrived, doubling exports each year.

But growth rapidly outstripped the partnership's resources. The old boys network came to the rescue.

NZ Nurseries chairman Norton Moller and Feltex managing-director Harold Titter were at New Plymouth Boys together. Other executives in the Auckland conglomerate also have strong New Plymouth connections.

This is the second such big-business tie-up with horticulture. Fletcher Challenge's farm subsidiary, Wrightson NMA, last year moved to give Auckland Export Ltd cash backing, buying out Masport Holdings Ltd's stake.

Feltex, according to a company spokesman, realised that most of its component parts were "mature" enterprises with little scope for development, so it set out to identify fresh pastures.

The task was given for 18 months to a planning group, of Feltex executives, who ranged over forestry, deer farming, insurance and horticulture.

Forestry was picked for immediate development and last year Feltex acquired two sawmills at Tutapere to complement the furniture and handcrafts divisions.

The spokesman told *NBR* deer farming was shelved because the "time was not considered ripe". Horticulture, in particular trees and shrub exports, were picked out.

None of the partners is prepared to divulge the exact joint venture construction, but it is understood that Duncan and Davies and NZ Nurseries are providing mainly expertise, while Feltex is coming with cash to the $3 million enterprise to be known as New Zealand Nurseries Holdings Ltd.

The union is understood to have puzzled the examiner of commercial prctices, whose formal consent was needed, till he was informed of the old boy connection.

we are HOTELS

WE REPRESENT A WIDE RANGE OF HOTELS, MOTOR INNS AND MOTELS IN NEW ZEALAND

BOOK NOW

Through New Zealand's leading accommodation reservation service



IT'S FREE
IT'S QUICK
IT'S EASY

Want to know more?
Clip out the coupon below and send for our free brochure.

INSTANT FREELINE
We book Hotels New Zealand & Worldwide
P.O. Box 39-102 AUCKLAND
NAME:
ADDRESS:

Just phone:
Auckland 794-660
Wellington 850-754
Christchurch 64-686
In other centres phone Air New Zealand.
INSTANT FREELINE
We book Hotels New Zealand & Worldwide

NEED QUALITY RESEARCH FOR THOSE INDUSTRIAL OR CONSUMER MARKETING PROBLEMS?

WRITE TO
AHI MARKETING RESEARCH
640 Great South Road,
Manukau City,
Private Bag,
Auckland

OR CALL
FENDALL HALLIBURTON
278-0999

AHI Alex Harvey Industries Limited

Analysing annual accounts: Yates Corporation

by Klaus Sorensen

THE Yates Corporation annual report for the year to November 30 1980, released last week, must have left many shareholders scratching their heads.

The ambitious Auckland seedsman and horticulturist has gone all out to produce an impressive glossy annual report, but the text might have sent some readers searching their dictionaries when they struck words such as "nascent", "parameter" and "tenet".

And the traditionalists will be shocked when they see managing director Philip S Yates has used the phrase "The movers and the shakers". Its doubtful if you'll find that piece of Americanism even in a dictionary of slang.

But the American approach to reporting seems to have been adopted by the Auckland company throughout its annual report.

Yates makes statements such as "our strategy and plans are designed to optimise this parameter consistent with long-term growth and financial prudence", and "we look in the medium term for the accelerated performance that will flow from the interaction and co-ordination of the component Yates Corporation companies. Many benefits from the union of the nascent members are yet to be realised. That is the nature of our task ahead".

The most breathtaking description is that of the company's strategic planning. "We have examined the business opportunities both within and without New Zealand for the next decade and assessed the result of the road upon which we have already travelled. This inward and outward analysis has culminated in the refined identification of strategic directions for the company – each of which will be evaluated continually against objectives in return on assets, real growth and long-term security".

Just in case the company still hasn't got its message across, Yates has designed a little formula – "People + Education + Resources x Motivation and freedom to innovate + [Information and Review] = Results".

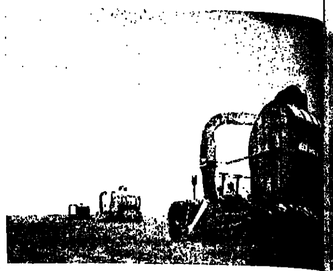
As for the staff, "incumbents are usually counselled by their *superiors as to their performance* at the time of the periodic reviews ... the taxation structure in this country takes more than full account of New Zealand's egalitarian traditions. We believe it is doubly important therefore to ensure that we adequately reward those who are the 'movers and shakers'. These who carry the load, go the extra mile and make things happen".

But behind all the thousands of words on business theory and achievement, there are gaps in the company's disclosure.

There is information about the Argentine Stem Weevil, rye-grass and everything you ever wanted to know about chickens and eggs, but astonishingly there are no export sales figures.

The main reference to the company's exports is: "continued emphasis on exports saw strong growth with off-shore sales up 90 per cent on the previous year".

The other reference is in an "export sales profile" graph which merely shows the geographical percentage distributions of the company's overseas sales.



Full disclosure of the company's trading activities is particularly important for Yates after a year in which the company more than doubled in size. Yates took over the Palmerston North seedsman Hodder and Tolley and the Tauranga Egg Marketing Co-op Ltd, it made a one-for-one cash issue and its first public debenture issue, and then at the end of the year made a successful takeover for the Southland Stock agent, J E Watson and Co Ltd.

The result was a massive increase in group sales from $28.6 million to $78.8 million and a doubling of after tax profits from $1.2 million to $2.5 million.

The consolidated statement of profit shows that the cost of sales and commissions totalling *$78.8 million*, was $69.9 million, compared with the 1979 figures of $28.6 million and $19.5 million respectively.

These are direct costs involved in sales and leave a gross contribution from sales and commissions of $8.8 million ($9 million). Then operating sales of $16.2 million are deducted.

But instead of giving a breakdown of the usual operating costs such as administration, audit and directors fees, the company has gone for a commendably tidy approach and detailed these costs in the notes to the accounts.

In this respect the accounts themselves are very good. The deduction of operating costs from gross sales and commissions leaves an operating profit of $2,698,000 and less a $114,000 tax provision, the net profit after tax is $2,284,000.

The breakdown of taxation – like that for operating profit – is separated from the statement of profit and is contained in the notes to the accounts.

Strangely, the note on taxation reveals that the company received export allowances of $1,047,000 – which suggests that on the basis of a 10 per cent incentive payment for export sales the company must have clocked up export sales for the November 30 1980 financial year of around $10 million.

The net after-tax profit of $2,284,000 is before the company contributions of $216,000 and their tax of $117,000, leaving $2,067,000. A deduction of dividends received of $35,000, plus results from the disposal of the share portfolio of $186,000 leaves a net available profit of $2,567,000 compared with $1,247,000 in 1979.

But here again there is inadequate explanation of the capital profit gained from the disposal of the share portfolio.

The relevant note in the accounts merely records the gain on the disposal of the share portfolio of $186,000 as the difference between cost and selling price".

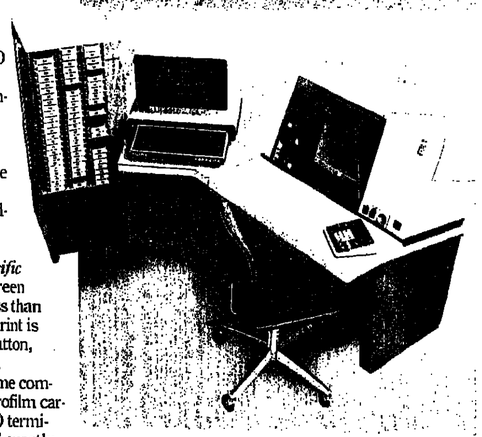
Shareholders would certainly like to know what the share portfolio was sold for, a point that Yates, in its enthusiasm for the theory of business, seems to have overlooked in his review.

On the other hand the report provides such useful things as a financial calendar of dividend payments, and announcement and meeting dates, a simplified balance sheet ("what we own" and "what we owe"), and a chart showing the range of the company's shareprice over the last four years.

Announcing Electronic Filing from Kodak.

In an age of ever-increasing information, Kodak presents a way to find facts fast: the Kodak IMT-150 microimage terminal.

Computers are best used to store and provide summary data. But sometimes you need the entire original document. Beginning with only a fragment of data such as a date or invoice number, the IMT-150 terminal quickly provides you with an image of the genuine article—the sales slip, bill of lading, invoice, or whatever you need.



The document you see displayed on the screen is stored somewhere in the middle of 14,000 other microfilmed documents. Yet an operator can call up this *specific* document on the viewing screen of an IMT-150 terminal in less than 9 seconds. And a dry paper print is available at the touch of a button, again in a matter of seconds.

Your mini or mainframe computer knows the proper microfilm cartridge to select; the IMT-150 terminal's own computer "knows" exactly where to go within the cartridge to find the document you are looking for.

Kodak offers a whole family of electronic filing equipment. From microfilmers to microfilm reader-printers to dry COM laser printers—many with their own built-in intelligence and more sophisticated electronics.

Electronic filing is an integral part of the modern automated office; look into it by completing the coupon at right.

1880 Kodak 1980

The Sales Manager, Business Systems Marketing Division, KODAK New Zealand Limited, P.O. Box 2198, Auckland. Phone 778-950

☐ I want to be able to find fast the document I need in my office. Please send your brochure on Electronic Filing from Kodak

☐ Better yet, have a Kodak representative call to arrange a free information planning survey of my office.

NAME TITLE

ORGANIZATION

ADDRESS

PHONE

KB81/4

Retailing

Auckland firm making Hardy Amies lines

by Lindsey Dawson

WOMEN's garments by the Queen's dressmaker, Hardy Amies, are being made in New Zealand for the Australian market by Miss Deb Ltd, of Auckland. His autumn collection is in Australian stores now.

Amies hosted a fashion parade for New Zealand retailers at which he said New Zealand and Japan were the only manufacturers of his line outside England.

His designs will also be available in this country for the first time this winter, selling through 12 up-market retailers.

The prices are high, up to $400 an outfit, but the fabrics are top quality, worth [illegible] a metre, and Amies said they are not intended to be cut-out garments.

"What is sterling like? ... very boring tomorrow. We expect our clothes to be a wardrobe for at least ... years," he said.

Miss Deb has been successfully exporting its own label to Australia for five years, and 15 per cent of its output is Tasman recording, ... ing-director Maurice ... rich.

Amies has had a ... sociation with New Zealand working with ... Clothing which ... menswear lines under ...

Business

Brokerage rates on big deals not an issue in NZ

AUSTRALIAN investment managers are getting hot about the brokerage rates they are being asked to pay on big deals – but their New Zealand counterparts seem largely unconcerned about the situation here.

The Australian Association of Investment Managers has called for a review of charges which it terms "excessive".

Several Wellington investment managers spoken to by *NBR* last week thought there was little chance of a similar occurrence in New Zealand.

The Australian institutions are paying on average 1.3 to 1.5 per cent for their transactions.

One local manager said the topic of a lower brokerage rate for institutions had not really been discussed. He thought there might be a "fair case" for a smaller scale of fees to institutions in view of their much larger volume of transactions. His average broking cost was about 1.5 per cent, he said.

But he said many of the larger firms were spending a lot of money on research and the institutions received a pretty good deal in terms of the information produced by the broking firms.

However, in certain situations a strong case could be made for a reduced scale for large deals he said, pointing to the Fletcher takeover bid for Carter-Holt last year where the brokers rounded up nearly 50 per cent of the Carter shares – mainly from institutions – in days. He estimated the firm which did most of the business earned between $400,000 and $500,000 in brokerage.

But while most brokers with a full partnership could expect to earn between $50,000 and $100,000 annually – with partners in the largest firms earning considerably more – the manager noted that brokers have good years and bad.

In 1974/76 many firms went to the wall and a number were forced to amalgamate and retrench.

Last year the brokers increased their charges from 2 per cent to 2.5 per cent for the first $10,000 of business.

But another institutional investment manager told *NBR* this rarely affected him and he "had never even thought about" the possibility of reduced rates for institutional customers.

He estimated his average cost on a transaction was around 1 per cent to 1.2 per cent, but wondered whether it would even be possible to have lower rates for big dealers. "I don't really care one way or the other, though I reckon the brokerage for the small client is a bit steep," he said.

Across the Tasman the Australian Government last year excluded the stock exchange from the trade practices legislation, and brought them under the control of the National Companies and Securities Commission.

Merchant bankers believe that this decision has removed the element of competition, and in practice will permit the brokers to write their own rules.

They argue that the exchanges are organised as "closed shops" with fixed levels of commission, which means that every investment manager has to operate through a stock exchange broker without the advantage of negotiated brokerage rates.

The average broker charge to an institutional manager would be somewhere around 1.3 to 1.5 per cent, each side of the transaction. That is about 3 per cent total return for the broker if an investment manager turns over his funds 100 per cent during the year. For a $A1000 transaction brokerage charges in Australia are 100 per cent higher than in London, 460 per cent higher than in Paris, 270 per cent higher than in Frankfurt, 240 per cent higher than in Tokyo, while in New York it is about the same as Australia's.

Comparison of rates for a higher transaction – a $A100,000 transaction: Australian stock brokerage charges are 200 per cent higher than in London and Paris, 170 per cent higher than in Frankfurt, and 380 per cent higher than in New York.

An Australian Association of Investment Managers source said that experience in the United States suggests that once negotiated commissions were introduced in 1975 commissions to institutional investors fell by 44 per cent over the first two years. To individual investors they dropped by 11 per cent. These falls occurred at that time from levels which were significantly lower than the corresponding Australian brokerage rates.

"I believe that institutional brokerage would drop by some 30 per cent in Australia if brokerage would drop by some 30 per cent in Australia if negotiated commissions were brought in."

He dismissed brokers' protests that reductions of this magnitude would impoverish them. "If we take the Sydney market, *from which I have* some statistics, I estimate that the total brokerage income for equity shares alone for 1979-1980 was $90 million. I estimate the costs of running the broking firms in the Sydney market at about $34 million, which leaves $56 million to go around 234 partners. That is a quarter of a million dollars average per partner. If that is 'going to the wall', I suggest there is a little room there."

He emphasised that among others, the ultimate beneficiaries of lower brokerage rates were the mass of Australians in pension and superannuation funds.

Award winner

CAVALIER Carpets won the cut pile carpet award at the Australasian Floor Covering Mart in Melbourne late last month.

Cavalier, one of the country's big three carpet manufacturers (but smaller than Feltex and UEB Industries) was the only New Zealand company to pick up an award.

This is the third successive year in which Cavalier has won the award.

NEW PUBLICATION

The first management guide to one of New Zealand's most important, complex and frustrating industries.



The Transport Book has been specifically designed, by the publishers of *National Business Review*, to keep management better informed about a sector of the economy vital to the successful and profitable running of their own businesses.

The Transport Book is a detailed directory of all companies in the transport and transport related fields and provides transport users with an instant comparison of competing and complementary services, localities served, range of services, and freight capacities. This new annual, edited by *National Business Review* transport correspondent Bob Stott also provides up-to-the-moment articles about road, rail, sea and air transportation in New Zealand.

For your copy of **The Transport Book** simply fill in and mail the Fourth Estate Subscription Service coupon elsewhere in this issue.

IT'S ALL IN THE NAME

"the process of growth" (Webster Thesaurus) "gradual unfolding: fuller working out" (Oxford Dictionary)

Development

to encourage and promote investment in the industrial development of New Zealand... to participate in the establishment of new industries... or in the development or extension of any industry... where production from the industry is or will be of value to the economy generally...
— Development Finance Corporation Act 1973

The growth of New Zealand's economy depends on resources for worthwhile business expansion and development. This contributes to improved living standards and quality of life for all New Zealanders.

"money as support for an undertaking" (Oxford Dictionary)

Finance

to provide finance for the establishment of new industries... or for the development or extension of or assistance to any industry... and give particular attention to the needs of small and medium sized businesses
— Development Finance Corporation Act 1973

DFC provides finance for sound business proposals, especially those which will earn or save foreign exchange, contribute to regional development, improve productivity, involve new technologies, use indigenous raw materials and create jobs.

"group of people authorised to act as an individual, especially in business" (Oxford Dictionary)

Corporation

...the Corporation shall evaluate each proposal after having regard to the economic worth of the industry concerned, its usefulness to the New Zealand economy, the extent to which it will be owned or effectively controlled by persons domiciled in New Zealand, and the prospects of its becoming profitable within a reasonable time...
— Development Finance Corporation Act 1973

DFC's professional and advisory staff, working from seven offices throughout New Zealand, are specialists in business development, financial appraisal and project management.

Development Finance Corporation
New Zealand's Development Bank

dfc

Offices at Auckland, Hamilton, Tauranga, Palmerston North, Wellington, Christchurch and Dunedin

Admark

More accountability urged in advertising

by Grev Wiggs

MARKETresearcher,authorof two books on advertising and vice-chairman ofthe Leo Burnett agency, London, Dr Simon Broadbent came to New Zealand at the invitation of the Auckland branch of the Association of Accredited Advertising Agencies to conduct seminars in Auckland, Wellington and Christchurch.

His subject: "Advertising for profit." His theme: greater accountability in advertising.

Because advertising is only a part of the total marketing effort, Broadbent told *Admark*, for a long time it was believed that its effectiveness could not be measured separately.

But new techniques of sophisticated analysis, using computer data, now make fine measurements possible.

Advertisers should be prepared to experiment. Comparisons of effectiveness can be made when the weight of advertising is deliberately varied, or one medium added or subtracted, while keeping all other marketing activities constant.

Post-research on sales effectiveness should be carried out. But while the right selection and use of media may add a few percentage points in efficiency, a good creative strategy will out-score a bad one by five to one.

There are two new important trends in consumer research bearing on the quality of the creative product.

"Creative development research" employs researchers, working closely with creative people, to expose creative ideas to consumers and interpret the playback. They interview individuals and small groups to discover what the ad communicates. "It requires a great deal of sensitivity," says Broadbent.

"Tracking studies" provide a low-scale but continuous research check. *With as few as 50* to 100 interviews a week (adding up to 2000 to 5000 a year) measurements are made of awareness, recall, attitudes, *usage and other relevant factors.*

This method gives a useful and dynamic picture, says Broadbent.

Broadbent does not see the prophesied fragmentation of media and markets as a problem in the near future.

"Most of the big consumer *product groupings represent* pretty stable markets and TV and radio will continue to take a constant percentage of the media budget.

"The best prediction that media research has been able to come up with is that specialist TV and specialist magazines are going to be very small in terms of the mass market for decades in the future".

Readership research, apart from the measurement of dailies which poses no problem, *will continue* to be a battleground of techniques with "through the book" supporters challenging "recent reading" studies.

The issue is still far from settled.

Smoking under fire

WORLD-WIDE, the rising *tide of official opinion against* smoking is demonstrated by the latest International Advertising Association's Intelligence Survey.

Various cities throughout Canada, it reports, now ban tobacco as well as alcoholic beverage advertising on buses.

In Holland cigarette packets will soon have to bear health warnings, and a voluntary code for print advertising is being developed.

The Minister of Information in Bahrain has stated open opposition to all forms of cigarette advertising, *including sports* sponsorship.

Portugal is about to ban tobacco advertising on radio and television. Switzerland has called for health warnings on cigarette packets.

In Britain under a new *voluntary agreement*, tobacco companies will cut poster ads by 30 per cent and restrain some other forms of advertising, a new anti-smoking campaign addressed to children and teenagers is planned and the Government will delay the introduction of new anti-smoking statutes until July 1982.

Joining SMEI

"BUSINESS firms have become increasingly interested in sending staff members to SMEI programmes," new president of Sales and Marketing Executive International, of Wellington, Lindsay Yardley, said.

"So we have been encouraged to introduce corporate membership in which companies as well as individuals can become members of SMEI. Some firms have signed up already."

Corporate membership entitles the company to nominate staffers to participate as members. Fees are scaled from $150 annually for two members to $450 for eight members.

If any nominees drop out by reason of transfer or resignation they may be replaced without any extra fee.

A busy programme has been arranged for the 1981 year.

As well as monthly meetings, three courses on various aspects of salesmanship have been arranged in conjunction with Wellington Polytechnic and three half-day seminars have been planned.

Creative advertising seminar on American model

IN its 50th year, the Association of New Zealand Advertisers is staging a two-day seminar for marketing and advertising staff.

It promises to be a seminar with a difference, as its title "The ANA Creative Advertising Seminar" implies.

ANA is the Association of National Advertisers, ANZA's opposite number in the United States, where this seminar has been held annually since 1970.

In May next it will be lifted holus-bolus to Waipuna Lodge, Panmure.

The seminar is conducted by Beaven Ennis, a highly experienced marketing and advertising consultant, and its value is whole-heartedly vouched for by New Zealanders who have attended in the United States.

Although five places may be filled by advertising agency personnel, the seminar, designed for the training of advertising buyers in the evaluation of creative and marketing programmes, is limited to 30 people overall.

The live-in course bears an up-market price-tag of $650 for non-members of ANZA. Applications close on April 11.

Massey grant

A GRANT of at least $500 will be made by the Public Relations Institute to Massey University for use either in its library or in the business studies faculty to establish a public relations resource centre.

It is hoped that the branches will jointly contribute at least another $1000 and that an annual grant of at least $500 will eventuate.

Forestry

Shortage of pulping timber predicted

by Rae Mazengarb

A SHORTAGE of suitable pulping timber has been predicted here for at least the next decade. And some forest industry specialists are questioning planned short-term expansion for our pulp and paper-making industries.

They also question the ability of the companies to market their increased production overseas, in the light of some forecasts of capacity outstripping demand by the mid-1980s.

In particular, they point to Tasman's proposed fourth newsprint machine at Kawerau, expected to be onstream at a cost of more than $200 million by 1985. The plant is expected to produce 180,000 tonnes of newsprint a year and net foreign exchange earnings of $70 million in 1980 dollars.

Forest Service deputy director general Andrew Kirkland agreed "we are at a supply plateau until the 1990s", and the wood supply situation had been discussed by the Forest Service and forestry companies.

Tasman had approached the Forest Service about the supply of wood for the proposed machine, he said.

There was interest generally in finding more wood from the State forests.

On the marketing side, a recently released annual survey of world pulp and paper capacities compiled by the Food and Agriculture Organisation of the United Nations predicts newsprint capacity is on a rapid upswing, with nearly seven million tonnes more planned between 1979 and 1984 — a 25 per cent increase.

Pulp and Paper International (December 1980) reported that Cepac president Giovanni Fabbri last year condemned European manufacturers for investing heavily in paper capacity without thought of market conditions.

According to *PPI*, he said: "As far as newsprint is concerned we cannot even begin to hope that consumption outside the EEC can keep pace with rising capacity, since new installations in the USA will . . . make Canada seek other markets for its excess supply. . ."

Asked about both the problem of wood supply and the reports of growing world capacity for newsprint, a Tasman spokesman said Tasman's own forests — planted in the early 1960s — would be onstream in the mid-1980s.

Discussions with the Forest Service had taken place because Tasman had started eating into the resource over the last six years. An amount of extra wood was required to make up for the resulting short-fall, he said.

He conceded that "a planned approach" toward 1990 was required of the industry until large forests mature.

But he took issue with the FAO predictions, given that they were a collection only of stated intentions of groups in other countries.

It was essential for New Zealand to increase productivity to try to capture markets now, not in the 1990s. "If we don't capture them our competitors will," he said.

The need to build markets now, seems to be the rationale behind the approach of most forestry companies, including smaller ones such as Baigent and Winstone.

But the larger ones like Tasman feel that small, non-integrated mills are not economic. Rather the field, hence the trees and the market opportunities, should be left open to the major forestry concerns.

The question some observers are asking is whether Tasman will tender for saw logs and hence pay the increased price, or will the company look to using early-cut saw logs, paying pulp-wood prices: if the latter, who pays the opportunity cost of using early cut timber, rather than leaving the trees, for mature, more valuable saw logs?



How to save up to 97% of the cost the next time you rearrange your office

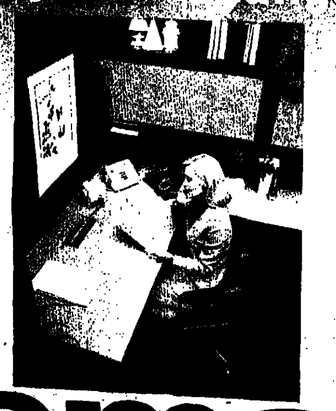
The trouble with offices is they weren't designed for change. So what happens when you have to add people or equipment or make organizational changes? You have to move "permanent" walls, recut carpet, rearrange overhead lighting, rewire, and reroute heating, ventilating and air-condition ductwork.

And pay from $6 to $25 per square foot to do it all.

With the Westinghouse Open Office you can do the same job for less the 75c per square foot.

And do it faster, *with minimum* disruption. No need to tear down walls; you simply rearrange panels. And no need to move heating, ventilating and air-conditioning ductwork.

Manufactured under license in New Zealand and Australia by:



Lights? Westinghouse Open Office. Lighting isn't attached to the building it's part of the system. Since you don't have to rewire, rearranging lighting can be done quickly and easily.

As your business changes or grows, you need an office that can keep pace.

It's flexibility like this can make your business more productive by saving you time.

And more profitable by saving you money.

Westinghouse ASD Open Office System

Making more people more productive in less space at lower cost.

cemac

CEMAC MODULAR INDUSTRIES LIMITED

AUCKLAND (09) 766-176 WELLINGTON (04) 683-937 CHRISTCHURCH (03) 60-571

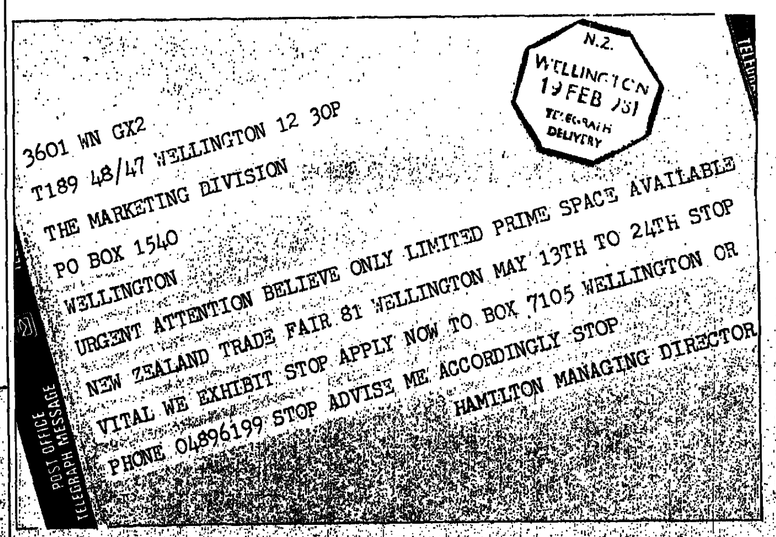
ADE

THE COMPUTER EQUIPMENT SPECIALISTS

ANDERSON DIGITAL ELECTRONICS

FASTEST DELIVERY

Auckland 663-533 Wellington 685-006 Christchurch 48-001



TELEGRAM

POST OFFICE TELEGRAPH MESSAGE

N.Z. WELLINGTON 19 FEB 731 TELEGRAPH DELIVERY

3601 WN GX2
T189 48/47 WELLINGTON 12 30P
THE MARKETING DIVISION
PO BOX 1540
WELLINGTON
URGENT ATTENTION BELIEVE ONLY LIMITED PRIME SPACE AVAILABLE
NEW ZEALAND TRADE FAIR 81 WELLINGTON MAY 13TH TO 24TH STOP
VITAL WE EXHIBIT STOP APPLY NOW TO BOX 7105 WELLINGTON OR
PHONE 04896199 STOP ADVISE ME ACCORDINGLY STOP
HAMILTON MANAGING DIRECTOR

Overseas trade

Japan: The anatomy of a closed market

by Ben Thorne

"JAPAN must be pressed to open its market – Brock," runs a recent headline in Tokyo's English language press.

Except for the attribution, it could have appeared at any time since the late 1960s when the United States and Europe first began to notice that their trade balances were deteriorating as Japanese exports surged while Japanese imports stagnated.

Much has happened since then – for example, Japan now claims an average tariff level below that of the EEC. Yet the perception of many foreigners is that the Japanese import market remains closed. Is it true, and if so, why?

The answer comes in three parts and is not as flattering to would-be Western exporters as they might wish.

- Protected or otherwise, much of Japanese industry is so strong that Western exporters are simply not in a position to compete on its home market;
- Even where the West does have something to sell, the structure of Japan's foreign trade does not exactly help them to sell it; and
- The "group psychology" of the Japanese business world tends to place obstacles in the way of newcomers.

Goods that Britain continues to be able to sell in Japan, despite a considerable competitive disadvantage in most mainstream British industries, range from tea to aircraft engines and include items such as wool textiles and whiskey where the Japanese have yet to match the traditional standards of quality.

The assortment is odd, and there is not a single item that could seriously be seen as a threat to a major Japanese industry. Yet there seems little doubt that obstacles exist in some of the areas mentioned for which there is no reasonable justification.

An example is the 220 per cent Japanese duty on scotch, which compares with 24.5 per cent on Japan's (much smaller) sales of bourbon.

More generally it is possible to point to structural features of the Japanese trading system which do not exactly help the foreigner. An important one is the "job distinction" between the large and powerful trading companies involved in exports of manufactured goods and imports of raw materials and the small "specialist" concerns which import manufactured goods.

Figures published recently by the Manufactured Imports Promotion Organisation (MIPRO) and the Japan External Trade Organisation (JETRO) indicate that about 75 per cent of Japan's imports are handled by a select group of 31 companies with turnovers of $500 million each or more.

At the bottom end of the scale 7 per cent of imports are brought in by approximately 3800 companies whose sales are less than $500,000 a year.

It is the small companies rather than the big ones which, typically, specialise in manufactured goods imports. Not surprisingly, they lack the resources (human as well as financial) to make the same impact as their bigger brothers.

Another problem which bothers exporters of manufactured goods to Japan is that of tradition. The point here is that Japan was a highly protected market until the late 1960s and many of the mental attitudes acquired before that time seem to live on.

NEW Zealand businessmen will be hoping that the visit to Jap... next month by Prime Minister Rob Muldoon will smooth the way ... increased exports to that market, our second largest outlet ... EEC.

Exports to Japan have primarily centred on commodity-... products and manufacturers have found difficulty in penetr... the market

But they are not alone. And despite Japanese evidence of ... how hard they are trying to open their domestic market to those ... the industrialised nations generally can find little evidence of ... creased business.

On the eve of Muldoon's visit, Ben Thorne of the *Financial Tr...* analyses the difficulties that Western businessmen find in selling ... Japan.

The Japanese Ambassador to New Zealand, Takashi Oyama, ... recently addressed the Japan-New Zealand Business... Council in Wellington in his address he, too, looked at the ... Japanese market and suggested avenues for local businessmen ... follow.

Both Thorne and Ambassador Oyamada are agreed that ... Japanese system and market are tradition-bound and difficult ... change. It is the salesman who must be prepared to adapt.

Customs officers, health, food and drug inspectors, vehicle inspectors, even bank officials have all been trained to apply their regulations strictly; and the regulations were all aimed at control and restriction.

What applies in the realm of regulations also applies in infrastructure. Ports were not really designed with manufactured imports in view. There was a chaotic period in the mid-1970s when imports by airfreight almost came to a standstill because of lack of storage space and proper identification systems.

There is little foreign comprehension of how much change is being asked of the Japanese or how much effort they may be putting into the adaptation of time-honoured procedures.

One way to grasp the problem is to see the "liberalisation" of Japanese attitudes to importing as something akin to the "liberalisation" of a British shop steward's attitude to new technology.

One of the most peculiarly Japanese problems confronting foreigners is their much maligned distribution system. With the post-war emphasis on manufacturing and exports, the internal distribution of goods became a backwater.

Efficiency was not important because high costs and margins allowed wholesaling and retailing to remain labour-intensive, while industry became capital-intensive.

The system was not designed to frustrate imports, but it hardly served to ease their entry when importing became respectable at the end of the 1960s.

The solution to most problems in the retail trade field would be to allow competitive forces to produce a shake-... But with 25 per cent of Jap... labour force employed in ... and wholesale trade, this is ... an easy step for the Gove... ment to contemplate.

Another frustration ... Western businessmen gen... ly is the almost impossible ... faculty of making direct ... vestments in Japan. The ... nitties of company acquisi... do not suit Japanese mind... which are based on concep...

Mergers happen rarely ... usually only save a com... from failure. The takeover ... for a public company, alth... legally possible, is someth... that simply does not occur. ... "market method" of entry ... Japan's business scene is ... effectively closed to foreign...

The answer is that it is p... sible, but that there are ... ficulties. The largest is ... recruitment of staff in a coun... where almost all graduates ... a (Japanese) company direc... from university – and expe... stay there for life. If graduate... – or otherwise unemploya... graduate to join a foreig... company that has no ... record and may fail.

Most foreign companies ... therefore solve staffing pro... lems by entering joint ventu... with Japanese partners who... different management sty... and attitudes to profit they ... largely have to accept.

Different ways of doi... things in fact turn out to be ... key to arguments about ... freedom of the Japanese ma... ket. In theory (according ... GATT terminology) Japan ... neither more nor less open ... imports than most of the We... tern nations with which ... trades with such overwhelmi... success.

In practice, it is a ... market to enter, than one ... because of distinctive Japanese ... procedures.

7 Reasons To Think NETWORK For Public Relations

1 A Real Nationwide Service

Many claim a nationwide service, but few can deliver. NETWORK is exactly what it says. A network of three offices – Auckland, Wellington and Christchurch (with frequent visits to Dunedin). Each one is fully staffed, and provides a full range of professional public relations consultancy services.

2 A Multi-Communication Philosophy

NETWORK begins its public relations services where others finish. We offer the services traditionally provided by P.R. firms – publicity, newsletter and magazine production – and much more. Public relations is a management service demanding a 'multi-communication' approach. From shareholder and investor relations to employee communication. Marketing support and special promotions. Government liaison. Youth and community relations. Corporate identity, just to name a few.

3 A Commitment to Client Services

To NETWORK, client service means more than being available when needed. We work regularly for our clients. Some of them we are in contact with daily... our larger clients regard us as extensions of their staff. We also have a client service structure different to most which allows the client to benefit from our individual consultancy skills. Nor do we wait to be asked to do something – because we consider it is our job to find solutions to problems (sometimes before our client realises they have arisen).

4 A Planned Approach

NETWORK is opposed to public relations 'because it is the thing to do'. Professional public relations should be an integral part of the corporate plan. Our task is to map out programmes of practical action that state aims and how they are to be achieved, written objectives, timetables, regular reports and review of activities.

5 Compatibility With Others

NETWORK is a professional public relations firm – and nothing else. We are complementary to other 'outside' management services such as advertising, marketing, market research and management services and work happily with them to the advantage of our clients.

6 A Responsible Attitude Towards Growth

NETWORK is among the largest P.R. consultancies in the country. Our client list includes some of the biggest international names and a selection of the most respected New Zealand public companies. We also offer specialised help to smaller companies. We have no aspirations to sacrifice quality and professionalism in the name of growth. New business is sought on the basis that it is challenging and that it can be efficiently serviced.

7 A United States Service for Exporters

NETWORK is the first New Zealand public relations company to open an office in the United States. Through it, exporters can co-ordinate a wide range of market support activities – from research to planning, co-ordination and implementation of product promotions. Network Communications (USA) Ltd's Los Angeles office in Wilshire Boulevard is staffed by Americans who also hold a minority shareholding in this joint-venture company.

To receive our package about public relations or our publication Communicator on a regular basis or simply to talk about P.R. and your organisation contact

NETWORK COMMUNICATIONS

Auckland PO Box 6560 Telephone 794-179
Contact: John Hill or John Green

Wellington PO Box 9091 Telephone 736-876
Contact: Bevan Burgess or Grant Common

Christchurch PO Box 838 Telephone 66-052
Contact: Tom Brocket

Los Angeles Telephone (213) 938-5233
Contact: Jack Martinson or Wallace Jamie

Seal your product in PLASTIC / CELLOPHANE / PVC / NYLON / etc.



Free catalogue & price list of sealing machines, Off-the-shelf or custom built. Hot wire, impulse, crimp-jaw, shrinkwrap, HF welders.

Ask the expert: Peter ...

SCOT-TURNER ELECTRON...
Tel: 575-520 Box 14-326

Overseas trade

Selling to Tokyo – it's easier if you know how

by Taicashi Oyamada
Japanese Ambassador

IT is often said that the Japanese market is "closed" and that it is too hard for foreign traders to penetrate. This is not true. Much of the criticism of the "closed" nature of the Japanese market is based on misunderstanding of its peculiar characteristics.

Every country has its own unique history, culture, and environment, and it is only natural that there are differences in how peoples think and behave. These differences are reflected in the marketability of goods and in local business practices.

The peculiarities of Japanese consumption patterns and commercial practices have often been raised as factors contributing to the "closed" nature of the market, but these patterns and practices are a part of a system tailored to the country's history, culture, and national characteristics.

Full understanding of these patterns and practices is the key to successful business.

The first step in marketing in Japan is to make sure you've got a product suitable to the market. Suitability means both meeting legal requirements and making the necessary technological and physical adaptations.

It also means developing new products, or modifying existing ones, to take into account the lifestyle, social customs, and buying preferences of consumers in the market area.

Physique and figure are two obvious factors to take into account when trying to sell in Japan. Korean-made slacks, Chinese-cut shirts, Hong Kong sweaters, and English-made sweaters have done well in Japan because they naturally fit, or have been intentionally designed to fit, the Japanese physique.

Other Western-made apparel, however, often find very limited markets in Japan. Some examples: apparel (except knits) with long sleeves, women's clothing with overly large bust areas and brassieres with large size, narrow shoes and boots, narrow socks, big gloves, small hats and overly large jewellery.

Psychological preferences, perhaps the most indiscernible of factors affecting marketability, required significant market research to uncover.

Colour is one area where psychology influences buying patterns. The Japanese have an undeniable preference for soft intermediate colours: blues, grays, browns and the like.

Thus an American necktie manufacturer with a line of bright primary-coloured sports ties would probably find his product in conflict with Japanese values and sensibilities, and his sales in Japanese markets would be correspondingly low.

Similarly, English cashmere sweaters are popular because of the sensitive feeling and colour. There are also fixed social concepts regarding colour, such as "older people should wear subdued colours".

Packaging of food products is another point to which Japanese consumers are sensitive. Buying decisions are often based on the aesthetic appearance of packaging, containers, and labels – their shape, colour, elegance.

Your cookies might be tasty, but if their wrapping does not satisfy this preference for refined packaging, they may never be purchased by a retailer, much less leave the display shelf.

Consumers in Japan are also fastidious about product quality. Much of the success of Japanese products overseas is certainly due to the fact that the highly competitive domestic market quickly weeds out any inferior goods.

One of the reasons that the sales prices of some imported cars get pushed up so high in Japan is that dealers often have to bear the expense of repainting or repairing vehicles whose finish or quality does not match up to the critical eye of the buyer.

Recognition of brand-name implies a preference for genuine products. While most Western consumers will not hesitate to buy an imitation if it matches their tastes and the price is right, Japanese consumers will baulk.

Interestingly enough, many consider high price a sign that the product is genuine. For this reason, first-rate brands such as Tiffany's, Dunhill, and Chanel are popular and are asked for specifically, despite their high prices.

There is one other aspect of consumer psychology which should be kept in mind by the foreign exporter when developing products for sale in Japan – the importance of the product's name.

Especially in the case of cosmetics and fashion goods, if the name is not attractive, the product will be difficult to sell. In general, cute, tasteful, easily readable, and memorable names go over best.

What we eat and how we eat it – these are also primarily determined by custom and habit. Introducing new products with unfamiliar tastes or requiring different styles of preparation is usually a slow and difficult process – though these products may be extremely popular in their home markets.

The Japanese have grown accustomed to tastes different from other peoples. Accustomed to salt or soysauce-based seasoning, they don't take to extremely light-flavoured items. Neither do they like strong-smelling natural cheeses.

After you have made sure you have a product which is appropriate for the Japanese market, the second step is to select a company with whom to do business. Equally important, is to pinpoint the appropriate section to contact in that company.

The initial approach to a Japanese enterprise to present a business proposal will usually be most effective if the correct department of the enterprise is contacted directly and if initial contact is made with an introduction from a suitable third person.

Giving out business cards is also recommended.

In starting negotiations, a personal visit to the Japanese enterprise is preferable to sending a business letter. As Japanese enterprises usually make decisions by group consensus, it is necessary to proceed step-by-step, moving up through the hierarchy of the company.

Strict observance of promised delivery times is another crucial requirement for success here. The majority of Japanese manufacturers place orders for parts and raw or semi-finished materials on the basis of estimated production using mass-production lines.

Late deliveries can so upset the production schedule that, for example, one automobile manufacturer has even gone so far as to designate not only the date but the hour by which the parts must be delivered.

Delayed delivery of consumer goods has cost many firms the opportunity to do business.

Japanese attitudes and practices regarding the resolution of disputes which arise during contract implementation are very different from Western ones. The Japanese, traditionally, do not like to pin blame or responsibility on one party or the other, but prefer to discuss matters in dispute on the basis of mutual trust established through human relations.

Based on this same proclivity to do business on the basis of mutual trust between the parties concerned, the Japanese have also developed a distinctively different attitude toward contracts than that held by Westerners.

A contract in Japan is basically considered no more than a document indicating that a deal has been set up, and even the most important terms of business might not be written into it.

Even when something is set down clearly in a contract, if the situation changes, the relevant clauses may sometimes be amended, either through silent agreement between the parties or through actual requests.

Often business is done without written contracts at all, in which case personal relations, including social ties formed between the parties outside of the work context, often serve to ensure implementation of mutual agreements.

Success in the Japanese market depends heavily upon selecting the input channel which will funnel your products into the most appropriate domestic distributing routes.

Of course, selecting the appropriate input channel depends upon one's marketing and distribution plans. And in order to develop these plans, a solid understanding of the distribution system is necessary.

ADE

THE COMPUTER EQUIPMENT SPECIALISTS

ANDERSON DIGITAL ELECTRONICS

NATIONWIDE SERVICE

Auckland 663-832 Wellington 663-006 Christchurch 65-001

UDC

UDC GROUP HOLDINGS LIMITED

for 3, 4 and 5 year Registered Secured Debenture Stock

Take advantage of increased interest rates.
You may select from the following terms:

5 YEARS	15.50%
4 YEARS	15.50%
3 YEARS	15.50%
2 YEARS	15.00%
1 YEAR	14.50%
6 MONTHS	BY ARRANGEMENT
AT CALL AFTER 3 MONTHS	13.00%
At call	By arrangement

Interest is payable or compounded quarterly.
The Company will consider early repayment of Debenture Stock in the circumstances described in the Prospectus.
Applications for Debenture Stock will proceed only on the application form with the Prospectus, which may be obtained from:

- ★ ANZ Banking Group (New Zealand) Limited
- ★ Any UDC Office or District Agent
- ★ Members of affiliated NZ Stock Exchanges
- ★ Or by mailing this coupon:

15½% PER ANNUM



PLEASE SEND ME A COPY OF YOUR PROSPECTUS

MR/MRS/MISS

ADDRESS

UDC GROUP HOLDINGS LIMITED
PO BOX 1616 WELLINGTON

Local government

Nelson city opts out of forestry business

A CONTROVERSY-ridden attempt by the Nelson City Council to get into the commercial forestry business has been abandoned, and the city has decided to lease off to the Forest Service 700 hectares of hill country it owns adjacent to the city.

The decision to accept the Forest Service's offer to lease the land followed a series of setbacks to the city council's own afforestation programme, culminating in last month's disastrous forest fire in Nelson, which destroyed 96 of the 150 hectares of pines established by the city.

Nelson's flirtation with commercial forestry started in 1971, when the council bought a rapidly reverting hill country farm on the city boundary, largely to preserve the popular Maitai Valley with its river and picnic spots as a recreation area.

The council named the property Waahi Taakaro – the place of recreation – and spurred on by the commercial success of neighbouring Waimea County with its pine forest on Rabbit Island, commissioned a firm of forest consultants to prepare a forest management plan for the hill slopes.

The report from P F Olsen and Co of Rotorua was presented to the Nelson City Council in May 1976, and work to prepare the land for planting started the following season.

But the city council ran into trouble with its afforestation plans almost immediately. The first year's plantings of pinus radiata suffered a high failure rate – reckoned by some to be as high as 90 per cent in places – and there was strong opposition to the forestry scheme from a number of Maitai Valley and Nelson residents.

They opposed the establishment of commercial forestry on the city's doorstep and argued that the hills which could not be kept in grass should be allowed to revert to native bush, using the encroaching gorse as a nursery crop.

The opponents of the forestry plan also raised a number of legal points, some of which are still outstanding.

One questioned the right of Nelson as a municipal corporation to indulge in commercial forestry at all, and this was only resolved when the city arranged to have a special forestry empowering act passed through Parliament.

The group also questioned the council's right to manage the hill country of Waahi Taakaro other than in accordance with the Reserves Act, since the land had been purchased as a reserve.

And, despite a gazette notice signed by Lands Minister Venn Young declaring that Waahi Taakaro's hills were not reserve land, a request for a declaratory judgment on this from the High Court is still outstanding.

In March last year a different issue entirely brought the whole afforestation programme to a dead halt, with only half the proposed forestry area planted out.

This was a report to the city council showing it was costing nearly three times as much for the afforestation programme as could be recovered through the Government's forestry encouragement scheme.

In October, the Government approved increases in the forestry encouragement scheme from $450 a hectare to $1200 a hectare, while increasing the basic interest rate from 4.5 per cent to 6.5 per cent.

But by that time, the Nelson City Council had started negotiations with the Forest Service on the possibility of the service taking over Waahi Taakaro, which is contiguous with the Hira State Forest.

These negotiations had reached an advanced state by last month, when the fire, which destroyed large areas of both Waahi Taakaro and Hira forest, forced the council to take an urgent decision on either re-establishing Waahi Taakaro from its own resources or handing the area over to the Forest Service.

Paradoxically, the fire solved one of the problems which could have hindered the city from handing over the land – the need to repay the original forestry encouragement loan – since this would now be covered by insurance.

Some opponents of the afforestation scheme within the city council have claimed it has involved Nelson ratepayers in hidden costs of $170,000, apart from the money recoverable through the forestry encouragement loan scheme.

Mayor Peter Malone describes this as a gross exaggeration and says the figure is closer to $30,000, though other city officials have suggested $60,000 as being closer to the mark.

Whichever one it is, Nelson could still come out of the deal well in the black, according to figures presented by the city manager, Len Ardell, to the special meeting which resolved to accept the Forest Service's offer to lease.

Ardell said the Forest Service would be paying about $10,000 a year for the land over the next 25 years – the precise amount will depend on lease details still to be worked out and a five yearly rental review – and this figure invested at current interest rates and compounded would return more than $2 million to the city over the 25-year period.

On the other hand, he said, the anticipated net revenue from the forest after 25 years would have been $883,000.



Venn Young ... not a re



30378A

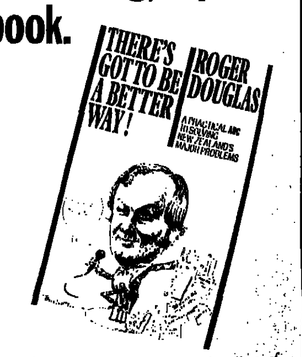
THE ONLY THING THEY DON'T DO IS PRINT THE CASH

Bank contracts, encoding for the trade, millions of MICR encoded cheques for numerous companies throughout New Zealand...not the sort of work for a normal printing plant! INL Print operates one of the most up-to-date facilities in the Southern Hemisphere, under extremely tight security in a self-contained unit. Cash – no! Cheques – yes! You couldn't put your work in safer hands.

INL PRINT LTD

Sales Offices: PO Box 1034 Wellington Phone 676-068. PO Box 1827 Auckland Phone 794-780. PO Box 853 Christchurch Phone 69-751. Sydney Branch: PO Box 1081 Nth Sydney. Phone 922-7155.

The independently minded MP has written a provocative, refreshing, important book.



Roger Douglas, unrepentant after the release of his own alternative budget earlier this year, has written a provocative and lively book that offers down-to-earth, non-doctrinaire solutions to some of our most intransigent problems. Douglas, who is concerned that the politicians are fiddling while New Zealand slides towards economic and social disaster, provides short, snappy and highly readable answers to problem areas ranging from airport spending to union attitudes ... from the balance of payments to tourism ... from employment to minority groups.

There's Got To Be A Better Way ... at good bookshops now ... or simply fill in the Fourth Estate Subscription Service coupon elsewhere in this issue.

There's Got To Be A Better Way ... a little book that will launch a great debate about New Zealand's future.

Industrial relations

Visiting right-wing union leader gets FOL snub

by Ann Taylor

FRANK Chapple, leader of the 420,000-strong English Electricians' Union came to this country for 10 days, ironically at the invitation of the Chambers of Commerce and employer organisations.

A Communist for 20 years, Chapple changed his colours to become one of the most controversial and – as the *Economist* says – "abrasive right-wingers" in the British union movement.

Enterprise New Zealand, the Chambers of Commerce education programme, billed him as a man with one central purpose, "to promote a better two-way communication and understanding inside a mixed economy".

In the initial press publicity, a panel with employer and union commentators was said to be the formula for his three public addresses. But the FOL would not join the party.

The FOL ferreted among its British counterparts and found that the Trades Union Congress had not supported the visit and did not approve of Chapple as a spokesman.

An anecdotal and amusing speaker, Chapple was applauded at his Wellington address which included 30 members of Tony Neary's local electricians' union.

Chapple, who has taken some of his annual leave to come here, was careful not to direct his remarks at the local scene.

His address was introduced as "timely" and he opened with a lament at the absence of any FOL representatives.

"They are not likely to agree with the opinions I express which is a mighty poor reason for not expressing a brotherly welcome to me," he said.

Over the past 20 years there had been "a procession of unionists going to England with a Conservative Government paying for the tickets. I don't feel any qualms at coming here," he told his audience.

On participation in industrial relations, he said the biggest threat to the trade union movement was from internal wrangling, indifference to public opinion, failure to meet 20th century needs and an insistence on political involvement which was no longer consistent with membership views.

On unemployment, he said unionists were putting on a "bold and brave face" having been caught by surprise at the scale and speed of closures and redundancies.

He quoted American economist J K Galbraith: "To see economic policy as a problem of choice between rival ideologies is the greatest error of our time".

The British political party system had been a significant factor in perpetuating industrial relations difficulties by conferring legitimacy on the "them and us" and by tempting employers and trade unions to seek advantages from political parties rather than by mutual agreement between themselves, Chapple said.

He is an advocate of proportional representation, which he says would break the duopoly of the British system.

He has not joined the rising star of the break-away Social Democrats. He supports their cause but says they should have stayed in the party. They left because of "hypocrisy, double dealing and double talk" rather than on policy grounds.

While expressing reservations about the value of secret ballots in industrial disputes, Chapple said the case for them in internal trade union affairs was overwhelming. To reform decisively the British system, he said, a single clause act requiring mandatory secret elections in unions would have been far more useful and radical than the Employment Act.

Chapple said employee participation in companies was schizophrenically approached by both sides. But employee participation deserved positive consideration and the EEC was already proposing to legislate its introduction.

"And I would not be surprised if the next Labour government did not decide to rapidly go down this road," he said.

He emphasised the need for training and education that is not dispensed with when economies have to be made.

All of the media distorted everyday perceptions of industrial relation in emphasis and style, he said, pointing to the classic "the union demands" rather than "the union only asked" approach.

This had been epitomised by the *Guardian's* Peregrine Worsthorne, who had written: "When all else fails, there is always some vigorous theme to be got out of attacking the unions".



Tony Neary ... his members listened.

The local unions argued that if the chambers were really concerned to enhance a dialogue, they should not have brought out Chapple, who was calculated to make their hackles rise.

Raise their ire he did. Addressing the Retailers Federation in Queenstown, Chapple disputed the FOL's Chilean trade ban sacred cow.

He said the Soviets were the real oppressors and it was illogical to impose a ban on countries like Chile which were not "nearly so bad."

Chapple was ousted last year from the TUC's general council and consternation rose when he suspended the leadership of the largest Welsh union branch for "political extremism".

The Cardiff row brewed over activities Chapple must have condoned in his earlier days – distribution of unofficial circulars presumed to be *Soviet Worker* and the rank and file *Contact* magazine which attacked union policy.

The chameleon Chapple has banned Communists from office because of their involvement in rigging a ballot in 1961. But the Trades Council in christchurch did not send a representative to join him at the address there, pointing to an investigation by the Labour Party in South London last year over the appointment of union delegates by the union's head office instead of by branches.

At the Wellington meeting, Chapple emphasised that his union's structure represented the views of all the union members.

To give him credit, Chapple was right when his colleagues in the TUC accepted an invitation from a puppet union movement in Poland. Chapple argued that the Polish workers were fighting for real representation and had the last laugh when the invitation was withdrawn.

Despite the FOL stand-off, Chapple was to attend the electricians conference last week and did say he spoke to two "Poms in the Engineers Union".

FOURTH ESTATE SUBSCRIPTION SERVICE

To subscribe to or purchase any of the newspapers, directories or books published by the Fourth Estate Group simply fill in and post the coupon below. Please make out cheques as indicated (overseas postage rates on request). If two different companies are indicated for multiple purchases, please make out cheque to Fourth Estate Group, P O Box 9344, Wellington.

(Please √ where appropriate)

☐ I/We enclose $30 for one year's subscription to *National Business Review*. ☐ Please bill me/us.
☐ I/We enclose $4.95 per copy post free for copy/ies of *"There's Got To Be A Better Way!"* by Roger Douglas.
☐ I/We enclose $85 for one year's subscription to *The Capital Letter*. ☐ Please bill me/us.
☐ I/We enclose $5 per copy plus 40 cents postage for copy/ies of *The Computer Book*.
☐ I/We enclose $8 per copy post free for copy/ies of *The Money Book*.
☐ I/We enclose $5 per copy plus 40 cents postage for copy/ies of *The Transport Book*.

Name
Address
.....
Occupation
Signature

"Hello Pete, Ruby, Bruce, Anne, Roy, Les, Brian, Sir, and Graham."

Conference Calls.

Want to arrange a Conference at short notice? All you need to do is provide Telle with a list of those you wish to "attend" up to a quarter of an hour before you want your "Conference" to begin. Your toll operator can connect you with up to nine people anywhere in New Zealand all at once by Conference Call.

Telecoms

VP 58

Transport

Farmers have to come to terms with basic problems

by Bob Stott

FARMING industry spokesmen hardly welcomed the decision to increase rail rates by 20 per cent from April 26. But their criticism should not be taken seriously until the farming industry produces a coherent transport policy.

Farmers recently expressed a hope that a railways corporation would put a bit of businesslike efficiency into NZR and stop the continuing rail deficit. But the same industry is continually protesting at the closing of minor stations in rural areas, which are costing a small fortune to keep going.

Farmers don't use these small stations in most cases. So why do they want them retained?

The answer is that as long as a station is retained in a rural area, it represents a threat to the road carrier. A farmer can ensure that road transport never exceeds the cost of rail only as long as there is a local station.

Similarly, farmers fight to retain rural branch and secondary rail routes (although they are unused by farmers) because they represent a threat to road carriers.

Farmers want the rail option not to use it but to force road rates *down. Yet they object to* increases in rail rates and hope that railways will become more "businesslike" in the new corporation control era.

Curiously, changed transport and distribution patterns mean that farmers make less direct use of rail today than in the past. In the past, a farmer would order a wagon-load of lime or fertiliser, then engage a local carrier (or use his own truck) to cart it from rail to farm.

Today most fertiliser is distributed to bulk depots from where it is sold to farmers, so the consignees today are the bulk depot operators, not individual farmers.

Stock goes by road today, and from works to ship transport is the responsibility of the shipping lines. To a lesser extent the same pattern is followed for wool – in fact, little farm produce is carted directly for individual farmers.

But this does not stop the industry's spokesmen from offering "expert" advice to the transport industry.

In the vast majority of transport services there is a strong element of cross-subsidisation whereby transport users in main centres and on main arteries see part of the charges they pay going to subsidise lightly trafficked rural routes.

It is almost impossible to determine exactly what level subsidy goes from town to country, but it nonetheless exists.

For instance, a welfare highway between two urban centres in all probability is "profitable" in the sense that the income derived from freight tax and road-user charges paid by the vehicles using that road more than meet the cost of maintaining it.

It is obvious, too, that a road running through six miles of rough country, blocked by slips each winter, and including many bridges and earthworks, doesn't "earn" enough to meet its costs from a small number of vehicles using it.

Such a road might serve fewer than half a dozen farms the rates from which would some additional contribution towards the roading cost, which when added to user taxes, is insufficient to meet those costs.

A well-publicised example of cross-subsidisation is the rural railway routes. The NZ booklet, *The Social I* showed that 10 such routes the year to March 31 1980 more to keep open than the of providing urban rail passenger services.

Yet it is the cities which get the stick from critics, not the rural railway benefit largely to farmers.

The argument can be tended to almost every sphere of economic activity. For stance, if there is a set ma price for a product or a ser a price which prevails in Q Street as well as in the remote settlement, then the cross-subsidisation.

The dwellers in the city enough to cross-subsidise higher distribution cos volved in serving the rur areas.

It is clear, in other wo that in country areas econo of scale and all the rest of cannot be attained. It is pr bly fair to at least partly hive this situation on increased subsidisation.

In the sense of what has dubbed "micro-economic" is patently unfair to expect dwellers not only to meet cost of running the urban area but to also meet a share of the cost of keeping rural areas their feet.

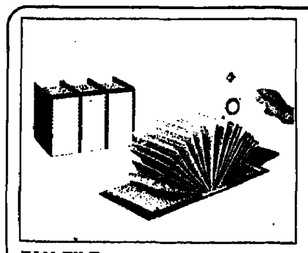
But in a national sense it makes sense for the city community to support ex porters of whatever sha colour because this earn needs overseas exchange to survive and prosper.

The biggest advantage th exporters face may be t remoteness from their overseas markets, and therefore the best way to promote exports would be not to encourage people to produce more per se, but to assist with transport costs.

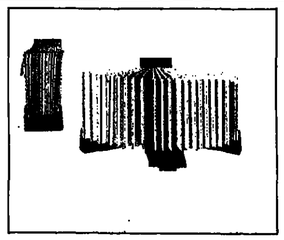
Some of the assistance pa out to exporters is probability does little than increase the standard of living (and no farmers either), whereas it surely makes more sense to reduce the price exporters pay for our exports.

Would the change from basis for a logical transport policy aimed at helping porters – including farmers Could farmers come to an sound policy for transport affects them?

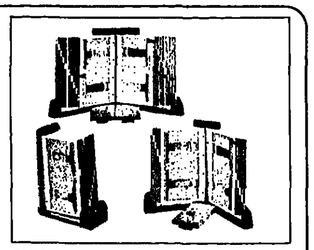
Microfiche & Diskette Rentention and Retrieval Systems



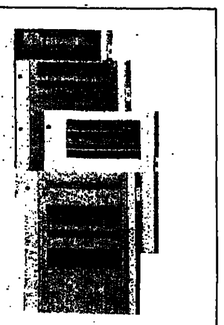
FAN FILE
Floppy Disks are fragile. Eichner Diskette Housing will completely protect each floppy in its own pocket; so your floppy will stay perfectly flat and pressure-free. The unique crimping design of the file provides "cushioning" for the diskette when the file is either open or closed. The Eichner Fan File puts up to 20 diskettes right at your fingertips.



DISKETTE DESK STAND
Space saving, easy to expand design and high functionality for instant reference. This unit answers the need for a large capacity modular desk top storage system. You can also use it as a wall bracket and turn wasted wall space into an active reference station for your floppies. The capacity of one stand is 20 diskettes. Additional stands may be combined to enable your filing capacity to grow when your needs do.

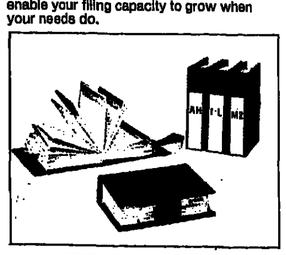


MINIDISKETTE DESK STAND
The Eichner Desk Stand answers the need for a large capacity modular desk top storage. Where there is no desk or counter top available, use it as a wall bracket and turn that wasted wall space into an active reference station. The Eichner Desk Stand offers a filing capacity of up to 40 minis, 4 minis per Minidiskette Panel.

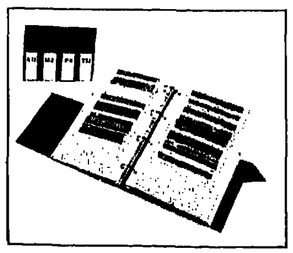


MICROFICHE PANELS
● Each pocket has wide angle cut outs on both sides. So you can file or remove fiche with the utmost speed and ease.
● Eichner panels are made of a durable plastic that is totally compatible with the composition of microfiche. Our panels contain no harmful chemicals that could damage your fiches. The sharp edges of the film cannot cut our pockets.

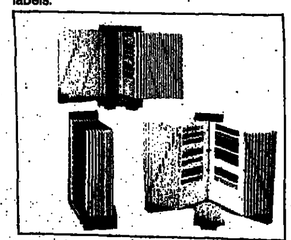
There is nothing comparable to the Eichner System... ...It is simply the best there is.



MICROFICHE ALBUM
If you need a portable fiche library, here is the answer. This attractive little system has a snap-lock vinyl cover and contains 56 microfiche pockets and a five sheet celluloid tab index with insertable blank labels.



EASEL BINDER
This binder is designed for easy portability and fast access to your fiches. Opened in use the binder gives fast title identification. Closed it fits comfortably into the palm of your hand. The binder holds up to five panels.



MODULAR DESK STAND SET
A space saving, easy to expand design grants high functionality and instant reference. The Eichner Desk Stand answers the need for a large capacity modular desk top storage system. Where there is no desk or counter top available, use it as a wall bracket.

ACCO

ACCO INTERNATIONAL (N.Z.) LTD,
WELLINGTON N.Z.
TELEPHONE (4)850-585 P.O. BOX 6382
TELEGRAPHIC ADDRESS "LOOSELEAF" WGTN

Taxation

The fine art of finding even more loopholes

by Lindsey Dawson

MONEY-earners try to find ways of avoiding tax the world over, their concern: to find loop-holes increasing in direct proportion to the size of their income.

New Zealand is no different. With the Government's tax take increasing from $691.5 million in 1969 to $6019.9 million last year, the art of tax avoidance (not to be confused with tax evasion) is gaining more and more followers.

The skids here are greased with double-digit inflation and fiscal drag is drawing even the lowest wage-earners to the brink of 60 per cent tax – a distinction once reserved for the very rich.

A large proportion of the workforce is paying the taxman 48 cents or more of every $1 earned. As Don Brash, National hopeful in East Coast Bays, pointed out recently, "once it was only the fat cats and merchant bankers who paid tax at that sort of rate. Now their secretaries are paying 48 per cent tax." The system, he said, "is going bonkers".

That sort of sentiment is being heard more and more, and it's certainly not just the "fat cats" who are interested in tax avoidance.

Here NBR looks at some ways of keeping the tax-man's hand out of the nation's wallet.

SEX, religion and politics are supposed to be bad topics for dinner party conversations because they always lead to argument. You might as well add the *topic of tax avoidance.*

There's a great jealous gulf between those whose means of income entitles them to very few tax perks – the average wage and salary-earner for example – and those whose type of business and level of income appear to allow loopholes as wide as David Lange's suits.

The average Kiwi views tax-aid firms as the sort of place he can hire to fill out his IR5 and get advice on clothing and car allowances. But there are a few tax specialists who work in more rarified areas, for clients whose incomes have to begin at well over $20,000.

Anyone earning less than that does not have the cash or the collateral to finance tax avoidance schemes.

Taxation specialist Roger Barry, 32, admits candidly that all his clients are wealthy. He helps people in very specialised areas, charging a percentage of what he saves them.

Equally candidly, he says he doesn't work across the board on a client's financial affairs because very few people can afford his charges. He deals almost exclusively with accountants and lawyers seeking advice on specific tax problems.

He works out of an elegant white house in the middle of the "medical mile" on Remuera Road, amid surgeons' and *specialists'* medical chambers.

He lives in apparent solid comfort with a white Jag in the carport, and a huge entertainment room complete with mirrored walls, dance floor and indoor spa pool being built into the basement.

His personal income, he says, is only $15,000 – the rest is ploughed back into the business to back the schemes that he promotes. "What you see here is one big tax deduction. I use only a tiny portion of the house to live in – the rest is for business purposes."

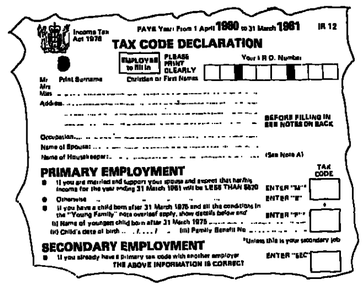
He sees himself as one of a new breed of *tax* consultant in New Zealand, following the American trend where the tax-avoidance business is a "gigantic industry."

People have been forced into tax avoidance in New Zealand, he says.

"There are two types of client – one who says 'my tax bill's far too high and I'd like some relief'.

"The other type says 'listen, I'm not going to work any harder. I'm going to work 40 *hours a week from now on* because if I work any harder all I do is pay it to the tax department.' When you work out the amount of lost productivity that occurs when someone takes it into his head to do just that. . ."

Barry shrugs his shoulders as if to say "there's your justification."



He recently sent out 5000 circulars to accountants and lawyers around the country promoting his services. So far he has had more than 450 back and expects a 20 per cent return.

That will keep him busy, as he is flat out already. He works 70 hours a week, but says he's not a workaholic.

"It's great *fun*. If someone has a $130,000 tax bill and is referred to me – and three weeks later it's whittled down to $70,000 – you get a certain charge from it."

Living at the office has advantages, like getting from your bed to your office desk in about a minute and a half, but fielding constant phone calls can be a problem. It is a commitment though, he says, "like getting married."

He handles problems mainly for small companies, where maybe a husband and wife are in business, or a few partners, generating much money. He deals heavily in tax-loss companies (although new laws coming into effect on April 1 will make it "extraordinarily difficult" for firms to use tax loss companies as a means of *avoiding* tax) and setting up off-shore trusts in places like Guernsey, Bermuda and Hong Kong for those who have income from overseas sources.

"For example a publisher earning $75,000 a year in commissions would pay the best part of $38,000 in tax. Now a capital trust set up overseas may cost him $10,000 to set up and it's a oncer.

"Therefore they're saving $28,000 in the first year and thereafter saving $38,000 in perpetuity. There's no limit, until the Government turns around and stops it. Inevitably they will. Then we'll have to find something else." The off-shore trust idea has had no Government interference, he says, because it hasn't yet become big business.

"But you'll find that immediately it does become big business the Government will *close down on it because they'll* think that too many people are saving too much tax.

"In actual fact, half the tax schemes we set up are investment-backed schemes whereby people pour their money in because they can get a tax reduction, but as a result create industry out of it.

"Deer farming's a classic – they knocked that on the head. The movie industry is another one – you had an industry with tremendous growth taking off two years ago. As from April 1 last year you had a tremendous disinterest caused because the Government switched its rules."

Before then the Government allowed a 150 per cent write-off against tax on money invested in the movie industry. "For every dollar you put in you were allowed $1.50 off against your tax – which meant that if you were on a 60 per cent tax rate you'd end up with 90 cents back from your dollar and only 10 per cent, or 10 cents in, which was good news.

"Now they've cut it back to a dollar for dollar write-off so that everybody who invests a dollar is back to 60 cents out and 40 cents in. They are required to put in 40 per cent of their capital whereas before it was only 10. It's a big difference."

Businessmen who go into agriculture, the legendary Queen Street farmers, no longer have such an easy ride, either. "The department has some extraordinarily good people to stop that sort of thing. You now have to show a very extensive plan of what you intend to do with your land," says Barry.

An off-shore trust is simple to set up, but expensive. "The overseas lawyers have a propensity to charge enormous fees. Fees of $7000 or $8000 are not uncommon, whereas you can do a trust here for maybe $1000. But the investment in a trust can be so good that you can't look past it."

He deals in a very tight field. "I know very little about export, for instance. I know an *enormous amount about cer*tain sections of the tax act which control company moves for tax purposes.

"My field is, first, tax-loss advantages, second off-shore trusts, and after that there are things like exporting boats. People go into syndicates.

"The boat comes out of New Zealand at, say, $50,000, which is all tax-deductible and goes to Hong Kong and is sold there for say $30,000 or even $50,000. It then goes to the States and gets sold for its true price which may be $100,000 or $90,000 and the *difference between the last two* prices is basically non-taxable.

"Once again you feed it through a tax haven. This goes on all the time."

Barry is a New Zealander and has specialised in tax for eight years. He has no degrees – university bored him.

He has visited tax havens to study their operations.

"There's hardly a degree in New Zealand which would give you the specialised info you need to become a specialist in tax. It is such a massive field. I've found it's paid to keep to a given range within the tax field."

He does not profess to do any more than a competent accountant. "What I do profess to do is take a scheme, legalise it by spending my time and the time of the best lawyers in the country until we have a way of saving tax which is either new or an offshoot of something else."

The more laws there are the more ways there are through *them, he says. "It's very hard to* get through a law which is only a sentence long, but its very easy to get through laws that fill up half the Town Hall because we have more to deal with. We can pick sections of each individual Act and concentrate on them.

"In America they do this – tax lawyers will just specialise in a section of a section of an Act. Nothing else. They become that finely specialised.

"Here they'll do the same. It's coming more and more. At the moment you can count us on one hand. There are three million people and only about half a million businesses.

"Most of the work is done very, very competently by accountants to a level, but that level sometimes leaves you with a very substantial tax bill.

"We take it from the accountant and go up with it and fine-tune it. I work with some lawyers who are very, very capable. You can't do something without legalising it."

Barry adapts some ideas from Australia, where he has an associate company, and also picks up schemes from Bermuda. "The Bank of Bermuda is extremely geared up for this sort of thing."

In the new financial year he will be promoting off-shore trusts more heavily as it becomes harder to work in the field of tax-loss companies. "As from that date the new law states that a company that has lost money in the past and has recognised tax losses cannot transfer shares within the company with losing the losses, whereas now you can transfer 60 per cent and still come within the various sections of the Tax Act."

He expects to see many companies changing hands as a result of the new restrictions.

FOR SALE

OIL-FIRED PACKAGE BOILER
27 H.P. 4 Pass Cleaver Brooks Model 80 2760 lbs/hour 150 P.S.I. modulating burner, 200 second oil. Manufactured 1957 — has had intermittent work only. Fully operational, complete with cladded stack. Good working order $3500.

NELSON LAUNDRY CO. LTD.,
PHONE NELSON 88222.

UBD

The Number 1 source of business information in New Zealand!

UBD

The only publication available that offers a single source for:
- The name and address of every business, tradesman and professional person in New Zealand, listed alphabetically by classification.
- The name and address of all Government departments, statutory commissions, justices of the Peace, churches, schools, colleges, trade unions, associations, clubs and halls.
- Telephone number listed numerically.
- Post Office box numbers listed numerically as well as alphabetically.
- Telegraphic code addresses listed both by code and firm name.
- Street directories and maps of all cities and towns.

PLUS: A FREE SUPPLEMENTARY INFORMATION SERVICE – Worldwide information available (by post or phone).

The UBD Business & Trade Directory is in 10 volumes covering the whole of a basic reference for every marketing, New Zealand and the Pacific Islands as sales, accounts, or credit control de-, well. Also available for every state of partment. Up to date because it is com- Australia, UBD, where your company's plied and revised annually. Published. name means more business for you.

For more information phone or write:

UNIVERSAL BUSINESS DIRECTORIES LTD
U.B.D. Centre, 360 Dominion Road, Mount Eden.
Private Bag, Dominion Road, Auckland 3.